

COUNTY OF CHIPPEWA, MICHIGAN

GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2002

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December 31, 2002

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Honorable Chairman and Members
of the Board of Commissioners
County of Chippewa
Sault Ste. Marie, Michigan

We have audited the general purpose financial statements of the County of Chippewa, Michigan, as of and for the year ended December 31, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the primary government of the County of Chippewa, as of December 31, 2002, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Chairman and Members
of the Board of Commissioners
County of Chippewa

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In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2003 on our consideration of the County of Chippewa's internal control structure over financial reporting and our tests of its compliance with certain laws and regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements for the year ended December 31, 2002 and 2001 and the additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the County of Chippewa, Michigan. The accompanying Schedule of Expenditures of Federal Awards is also presented for additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of these general purpose financial statements. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Anderson Tackman & Co P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

February 14, 2003

CHITPEWA COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2002

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Primary Government Totals (Memorandum Only)	Reporting Entity Totals (Memorandum Only)
							General	Long-Term Obligations		
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Agency	General Fixed Assets		Component Units	
ASSETS AND OTHER DEBITS:										
Cash and equivalents	\$ 132,240	\$ 1,877,177	\$ 724,458	\$ 39,051	\$ 5,780,384	\$ 2,143,444	\$ -	\$ -	\$ 10,696,754	\$ 13,376,108
Cash and equivalents - restricted	-	573,433	-	-	-	-	-	-	573,433	1,024,393
Receivables:										
Accounts	141,091	842,444	-	-	-	-	-	-	983,535	2,095,270
Taxes	4,375,046	672,544	434,226	-	1,422,084	-	-	-	6,903,900	7,391,207
Accrued interest on taxes	-	-	-	-	18,669	-	-	-	18,669	18,669
Accrued interest on deposits	50,215	-	11,180	-	109,903	-	-	-	171,298	186,933
Inventory	-	-	-	-	36,867	-	-	-	36,867	728,806
Prepaid expenses	35,997	50,120	-	-	-	-	-	-	86,117	164,974
Due from other funds	280,316	211,201	-	-	26,930	-	-	-	691,939	78,857
Due from other governmental units	335,121	209,275	-	119,005	13,575	-	-	-	637,452	637,452
Fixed assets (net)	-	-	-	-	-	-	-	-	557,971	1,584,003
Amount available for retirement of debt	-	-	-	-	-	-	14,164,781	-	14,164,781	38,208,455
Amount to be provided for retirement of debt	-	-	-	-	-	-	735,638	-	735,638	16,787,503
	-	-	-	-	-	-	14,865,697	-	14,865,697	32,507,299
TOTAL ASSETS AND OTHER DEBITS	\$ 5,350,026	\$ 4,436,194	\$ 1,169,864	\$ 158,056	\$ 7,408,412	\$ 2,143,444	\$ 14,164,781	\$ 15,601,335	\$ 50,432,112	\$ 82,939,411

CHIPPewa COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2002

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type		Account Groups		Primary Government Totals (Memorandum Only)		Reporting Entity Totals (Memorandum Only)	
	Fund Types			Fund Type		Fund Type		General		Totals (Memorandum Only)		Component Units	
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Agency	Fixed Assets	Long-Term Obligations					
LIABILITIES:													
Cash overdrafts	\$ 188,700	\$ -	\$ -	\$ -	\$ 6,032	\$ 51,992	\$ -	\$ -	\$ 246,724	\$ -	\$ 246,724	\$ -	\$ 246,724
Accounts payable	76,233	229,324	-	119,005	-	-	-	-	424,562	-	424,562	328,840	753,402
Due to other funds	167,430	265,962	-	-	56,551	-	-	-	489,943	-	489,943	147,509	637,452
Due to other governmental units	-	83,388	-	-	2,401	325,318	-	-	411,107	-	411,107	-	411,107
Accrued payroll and related liabilities	110,136	230,220	-	-	-	-	-	-	340,356	-	340,356	712,895	1,053,251
Other liabilities	-	281,964	-	-	-	54,331	-	-	336,295	-	336,295	-	336,295
Compensated absences	-	537,791	-	-	-	-	-	-	776,353	-	776,353	-	776,353
Undistributed tax collections	-	-	-	-	-	1,315,386	-	238,562	1,315,386	-	1,315,386	-	1,315,386
Undistributed receipts	-	-	-	-	-	396,417	-	-	396,417	-	396,417	-	396,417
Advances payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	4,375,046	749,558	434,226	-	-	-	-	-	5,558,830	-	5,558,830	1,150,782	1,150,782
Notes payable	-	-	-	-	-	-	-	-	634,816	-	634,816	6,193,646	6,193,646
Leases payable	-	-	-	-	-	-	-	50,773	50,773	-	50,773	1,906,527	1,906,527
Bonds payable	-	-	-	-	-	-	-	15,312,000	15,312,000	-	15,312,000	83,035	133,808
TOTAL LIABILITIES	4,917,545	2,378,207	434,226	119,005	64,984	2,143,444	-	15,601,335	25,658,746	4,964,404	30,623,150	-	-
FUND EQUITY AND OTHER CREDITS:													
Contributed capital	-	-	-	-	-	-	-	-	-	-	-	18,600,975	18,600,975
Investment in general fixed assets	-	-	-	-	-	-	14,164,781	-	14,164,781	-	14,164,781	5,033,846	19,198,627
Retained earnings:													
Reserved	-	-	-	-	14,265	-	-	-	-	-	-	-	14,265
Unreserved:													
Designated	-	-	-	-	-	-	-	-	-	-	-	-	-
Undesignated	-	-	-	-	-	-	-	-	-	-	-	450,960	450,960
Fund balance:													
Unreserved:													
Designated	-	316,815	735,638	39,051	-	-	-	-	-	-	-	-	-
Undesignated	432,481	1,741,172	-	-	-	-	-	-	-	-	-	3,308,117	5,481,770
TOTAL FUND EQUITY AND OTHER CREDITS	432,481	2,057,987	735,638	39,051	7,343,428	-	14,164,781	-	24,773,366	27,542,895	52,316,261	-	-
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 5,350,026	\$ 4,436,194	\$ 1,169,864	\$ 158,056	\$ 7,408,412	\$ 2,143,444	\$ 14,164,781	\$ 15,601,335	\$ 50,432,112	\$ 32,507,299	\$ 82,939,411	\$ 82,939,411	\$ 82,939,411

The accompanying notes to the financial statements are an integral part of this statement.

CHIPPEWA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND DISCREETLY PRESENTED COMPONENT UNITS
For the Year Ended December 31, 2002

	Governmental Fund Types				Primary Government Totals (Memorandum Only)	Component Units	Reporting Entity Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects			
REVENUES:							
Taxes	\$ 4,245,889	\$ 621,435	\$ 398,111	\$ -	\$ 5,265,435	\$ 457,311	\$ 5,722,746
Federal sources	255,621	354,820	-	94,000	704,441	368,618	1,073,059
State sources	1,899,284	1,521,546	-	-	3,420,830	4,785,618	8,206,448
Local sources	-	234,794	582,304	-	817,098	2,345,561	3,162,659
Charges for services	1,137,988	3,826,361	-	-	4,964,349	-	4,964,349
Interest on deposits	227,677	-	27,567	2,211	257,455	51,595	309,050
Fees and collections	29,050	11,362	-	-	40,412	-	40,412
Fines and forfeitures	68,530	3,550	-	-	72,080	-	72,080
Other revenues	690,126	164,507	95,546	-	950,179	198,268	1,148,447
TOTAL REVENUES	8,554,165	6,738,375	1,103,528	96,211	16,492,279	8,206,971	24,699,250
EXPENDITURES:							
Legislative	141,865	-	-	-	141,865	-	141,865
Judicial	2,197,458	7,899	-	-	2,205,357	-	2,205,357
General government	2,471,272	-	-	-	2,471,272	-	2,471,272
Public safety	2,128,785	1,272,608	-	-	3,401,393	-	3,401,393
Public works	-	591,168	-	-	591,168	8,622,415	9,213,583
Health and welfare	254,031	5,715,616	-	-	5,969,647	-	5,969,647
Other expenditures	601,638	-	-	-	601,638	-	601,638
Debt service	-	-	1,207,363	-	1,207,363	841,734	2,049,097
Capital outlay	222,492	39,654	-	521,901	784,047	-	784,047
TOTAL EXPENDITURES	8,017,541	7,626,945	1,207,363	521,901	17,373,750	9,464,149	26,837,899
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	536,624	(888,570)	(103,835)	(425,690)	(881,471)	(1,257,178)	(2,138,649)
OTHER FINANCING SOURCES (USES):							
Loan proceeds	-	-	-	-	-	1,145,939	1,145,939
Transfers in	71,040	1,194,685	227,855	364,151	1,857,731	-	1,857,731
Transfers out	(1,622,106)	(375,625)	-	-	(1,997,731)	-	(1,997,731)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(1,014,442)	(69,510)	124,020	(61,539)	(1,021,471)	(111,239)	(1,132,710)
FUND BALANCES, JANUARY 1	1,446,923	2,127,497	611,618	100,590	4,286,628	3,419,356	7,705,984
FUND BALANCES, DECEMBER 31	\$ 432,481	\$ 2,057,987	\$ 735,638	\$ 39,051	\$ 3,265,157	\$ 3,308,117	\$ 6,573,274

The accompanying notes to the financial statements are an integral part of this statement.

CHIPPEWA COUNTY
COMBINED STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUND TYPES - PRIMARY GOVERNMENT
For the Year Ended December 31, 2002

	General		Special Revenue			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Taxes	\$ 4,279,000	\$ 4,245,889	\$ (33,111)	\$ 620,019	\$ 621,435	\$ 1,416
Federal sources	244,200	255,621	11,421	572,489	354,820	(217,669)
State sources	1,752,482	1,899,284	146,802	1,523,649	1,521,546	(2,103)
Local sources	-	-	-	249,435	234,794	(14,641)
Charges for services	1,065,900	1,137,988	72,088	3,860,380	3,826,361	(34,019)
Interest on deposits	375,000	227,677	(147,323)	-	-	-
Fees and collections	10,000	29,050	19,050	10,000	11,362	1,362
Fines and forfeitures	77,500	68,530	(8,970)	3,600	3,550	(50)
Other revenues	573,115	690,126	117,011	127,213	164,507	37,294
TOTAL REVENUES	8,377,197	8,554,165	176,968	6,966,785	6,738,375	(228,410)
EXPENDITURES:						
Legislative	142,000	141,865	135	-	-	-
Judicial	2,183,850	2,197,458	(13,608)	12,500	7,899	4,601
General government	2,463,408	2,471,272	(7,864)	-	-	-
Public safety	2,143,987	2,128,785	15,202	1,315,397	1,272,608	42,789
Public works	-	-	-	659,402	591,168	68,234
Health and welfare	250,574	254,031	(3,457)	6,077,408	5,715,616	361,792
Recreational and cultural	500	-	500	3,487	-	3,487
Other expenditures	600,345	601,638	(1,293)	-	-	-
Capital outlay	180,423	222,492	(42,069)	57,950	39,654	18,296
TOTAL EXPENDITURES	7,965,087	8,017,541	(52,454)	8,126,144	7,626,945	499,199
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	412,110	536,624	124,514	(1,159,359)	(888,570)	270,789
OTHER FINANCING SOURCES (USES):						
Transfers in	90,900	71,040	(19,860)	1,709,426	1,194,685	(514,741)
Transfers out	(1,609,943)	(1,622,106)	(12,163)	(388,416)	(375,625)	12,791
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (1,106,933)	(1,014,442)	\$ 92,491	161,651	(69,510)	\$ (231,161)
FUND BALANCES, JANUARY 1		1,446,923			2,127,497	
FUND BALANCES(DEFICIT), DECEMBER 31	\$	432,481			\$ 2,057,987	

The accompanying notes to the financial statements are an integral part of this statement.

CHIPPEWA COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS - PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT
 For the Year Ended December 31, 2002

	Proprietary Fund Type	Primary Government Totals (Memorandum Only)	Component Units	Reporting Entity Totals (Memorandum Only)
	Internal Service			
OPERATING REVENUES:				
Charges for services	\$ 349,247	\$ 349,247	\$ 1,084,664	\$ 1,433,911
Leases and rents	-	-	209,723	209,723
Other revenues	-	-	122,671	122,671
Interest on delinquent taxes	58,141	58,141	-	58,141
TOTAL OPERATING REVENUES	407,388	407,388	1,417,058	1,824,446
EXPENSES:				
Economic Development:				
Contractual services	-	-	32,467	32,467
Depreciation	-	-	143,384	143,384
General and administrative	-	-	1,252,655	1,252,655
Other miscellaneous	-	-	64,284	64,284
General and administrative	25,790	25,790	-	25,790
Supplies	26,103	26,103	-	26,103
TOTAL EXPENSES	51,893	51,893	1,492,790	1,544,683
OPERATING INCOME (LOSS)	355,495	355,495	(75,732)	279,763
NON-OPERATING REVENUES (EXPENSES):				
Interest on deposits	31,483	31,483	29,154	60,637
Grants	-	-	38,603	38,603
Interest expense	-	-	(8,536)	(8,536)
Transfers in	4,686,820	4,686,820	140,000	4,826,820
Transfers out	(4,686,820)	(4,686,820)	-	(4,686,820)
NET INCOME	386,978	386,978	123,489	510,467
RETAINED EARNINGS, JANUARY 1	6,956,450	6,956,450	19,077,443	26,033,893
RETAINED EARNINGS, DECEMBER 31	\$ 7,343,428	\$ 7,343,428	\$ 19,200,932	\$ 26,544,360

The accompanying notes to financial statements are an integral part of this statement.

CHIPPEWA COUNTY
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended December 31, 2002

	Proprietary Fund Type	Component Unit	Reporting Entity Totals (Memorandum Only)
	Internal Service	Economic Development Corporation	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 355,495	\$ (75,732)	\$ 279,763
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	143,384	143,384
Changes in operating assets and liabilities which provided (used) cash:			
Taxes receivable	76,579	-	76,579
Accounts receivable	-	55,276	55,276
Accrued interest receivable on taxes	97,046	-	97,046
Accrued interest receivable on deposits	(9,310)	-	(9,310)
Prepaid expenses	-	(5,344)	(5,344)
Inventory	1,360	1,400	2,760
Due from other funds	(13,441)	-	(13,441)
Due to other funds	13,441	-	13,441
Accounts payable	-	(24,493)	(24,493)
Other liabilities	-	(27,304)	(27,304)
Due from other governmental units	(2,352)	-	(2,352)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	518,818	67,187	586,005
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Proceeds from notes	-	470,721	470,721
Principal paid on notes	-	(44,312)	(44,312)
Financing of compensated absences	-	5,119	5,119
Interest paid on notes	-	(8,536)	(8,536)
Operating transfers in	4,686,820	140,000	4,826,820
Operating transfers out	(4,686,820)	-	(4,686,820)
Grants	-	38,603	38,603
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	-	601,595	601,595
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Equity contributions	-	6,559,624	6,559,624
Purchase of fixed assets	-	(7,249,553)	(7,249,553)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	-	(689,929)	(689,929)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	31,483	29,154	60,637
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	31,483	29,154	60,637
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	550,301	8,007	558,308
CASH AND EQUIVALENTS, BEGINNING OF YEAR	5,224,051	790,230	6,014,281
CASH AND EQUIVALENTS, END OF YEAR	\$ 5,774,352	\$ 798,237	\$ 6,572,589
INTEREST PAID	\$ -	\$ 8,536	\$ 8,536

The accompanying notes to financial statements are an integral part of this statement.

COMBINING COMPONENT UNITS

CHIPPEWA COUNTY
COMPONENT UNITS
COMBINING BALANCE SHEET
As of December 31, 2002

	County Road	Economic Development Corporation	Totals (Memorandum only)
ASSETS:			
Cash and equivalents	\$ 2,332,077	\$ 347,277	\$ 2,679,354
Cash and equivalents - restricted	-	450,960	450,960
Receivables:			
Accounts	827,194	284,541	1,111,735
Taxes	487,307	-	487,307
Accrued interest on deposits	-	15,635	15,635
Inventory	665,869	26,070	691,939
Prepaid expenses	71,149	7,708	78,857
Due from other governmental units	1,026,032	-	1,026,032
Fixed assets (net)	5,033,846	19,009,828	24,043,674
Amount to be provided for retirement of debt	1,921,806	-	1,921,806
TOTAL ASSETS	\$ 12,365,280	\$ 20,142,019	\$ 32,507,299
LIABILITIES:			
Accounts payable	\$ 295,422	\$ 33,418	\$ 328,840
Due to other funds	-	147,509	147,509
Accrued payroll and related liabilities	643,510	69,385	712,895
Advances payable	1,150,782	-	1,150,782
Deferred revenue	487,307	147,509	634,816
Notes payable	1,446,296	460,231	1,906,527
Leases payable	-	83,035	83,035
TOTAL LIABILITIES	4,023,317	941,087	4,964,404
FUND EQUITY:			
Contributed capital	-	18,600,975	18,600,975
Investment in general fixed assets	5,033,846	-	5,033,846
Retained earnings:			
Unreserved:			
Designated	-	450,960	450,960
Undesignated	-	148,997	148,997
Total retained earnings	-	599,957	599,957
Fund balance:			
Unreserved:			
Undesignated	3,308,117	-	3,308,117
TOTAL FUND EQUITY	8,341,963	19,200,932	27,542,895
TOTAL LIABILITIES AND FUND EQUITY	\$ 12,365,280	\$ 20,142,019	\$ 32,507,299

CHIPPEWA COUNTY
COMPONENT UNITS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2002

	County Road	Economic Development Corporation	Totals Memorandum Only)
REVENUES:			
Taxes	\$ 457,311	\$ -	\$ 457,311
Federal sources	368,618	-	368,618
State sources	4,785,618	-	4,785,618
Local sources	2,345,561	-	2,345,561
Charges for services	-	1,084,664	1,084,664
Interest on deposits	51,595	-	51,595
Leases and rents	-	209,723	209,723
Other revenues	198,268	122,671	320,939
TOTAL REVENUES	8,206,971	1,417,058	9,624,029
EXPENDITURES:			
Public works	8,622,415	-	8,622,415
Economic Development	-	1,492,790	1,492,790
Debt service	841,734	-	841,734
TOTAL EXPENDITURES	9,464,149	1,492,790	10,956,939
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,257,178)	(75,732)	(1,332,910)
OTHER FINANCING SOURCES (USES):			
Interest on deposits	-	29,154	29,154
Grants	-	38,603	38,603
Interest expense	-	(8,536)	(8,536)
Loan proceeds	1,145,939	-	1,145,939
Transfers in	-	140,000	140,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(111,239)	123,489	12,250
FUND BALANCES, JANUARY 1	3,419,356	19,077,443	22,496,799
FUND BALANCES, DECEMBER 31	\$ 3,308,117	\$ 19,200,932	\$ 22,509,049

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

The accounting methods and procedures adopted by the County of Chippewa, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the County's general purpose financial statements.

NOTE A - REPORTING ENTITY:

FINANCIAL REPORTING ENTITY:

The County of Chippewa was incorporated under the laws of the State of Michigan in 1877 and operates under an elected Commission form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County of Chippewa (primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units:

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units:

Chippewa County Building Authority - The Authority is an entity legally separate from the County. The Authority is governed by a board appointed by the Commission and is reported as if it were part of the County's operations because its primary purpose is the procurement and management of debt financing for the County.

Chippewa County Health Department - The members of the governing body of the Chippewa County Health Department are appointed by the County Commission. The Health Department provides limited health services to residents of Chippewa County. The Chippewa County Health Department is a Special Revenue fund of the County of Chippewa, Michigan, and is presented on its fiscal year end, September 30, 2002.

Discretely Presented Component Units: The component units' columns in the combined financial statements include the financial data of the County's two other component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

Chippewa County Road Commission - The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, travel, and per diem rates, bonded debt must be approved by the County Commission.

Chippewa County Economic Development Corporation - The members of the governing board are jointly appointed by the County and other governmental units. The Corporation's capital budgets are subject to approval of the County Commission. The County generally is liable for disallowed grant expenditures as well.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE A - REPORTING ENTITY: (Continued)

Condensed Financial Statements - The combining financial statements present condensed financial statements of each of the two discretely presented component units. Complete financial statements of the individual component units can be obtained directly from their administrative offices.

Discretely Presented Component Unit Administrative Offices:

Chippewa County Road Commission
4139 Mackinac Trail
Sault Ste. Marie, MI 49783

Chippewa County Economic Development Corporation
119 Culley Road, Bldg. 119
Kincheloe, MI 49788

Blended Component Unit Administrative Offices:

Chippewa County Health Department
508 Ashmun, Suite 120
Sault Ste. Marie, MI 49783

Multi-County Agency: The County participates jointly in the operation of the Hiawatha Behavioral Health Authority with Mackinac and Schoolcraft Counties. All financial operations of the Authority are recorded in Schoolcraft County. The funding formula requires the County to provide approximately 60% of the budget appropriation requirement, which amounted to \$171,334 for the year ended December 31, 2002.

The County participates jointly in the operation of the Luce-Chippewa County Family Independence Agency (a special revenue fund of Chippewa County). All financial operations of the Agency are recorded in Chippewa County.

Jointly Organized Unit: The Chippewa County - Sault Ste. Marie Joint Building Authority, an entity legally separated from the County, is governed by a three-member board appointed by the City and County Commissions. For financial reporting purposes, the Authority is reported as a separate unit because its purpose is to finance and maintain joint building operations. The Authority operates on an August 31 fiscal year.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES:

The accounting policies of the County of Chippewa conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(1) Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or retained earnings, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial report into four broad fund and group categories, and seven generic fund and group types as follows:

GOVERNMENTAL FUND TYPES:

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Fund - The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

PROPRIETARY FUND TYPES:

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

Agency Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS:

General Fixed Assets Account Group - This account group is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets of proprietary type funds.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

General Long-Term Debt Account Group - This Account Group presents all the outstanding balances of long-term debt of the County except for those debts accounted for in the Proprietary Funds.

(2) Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. All Governmental Fund Types and Agency Funds are reported using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: 1) accumulated unpaid vacation, sick pay, and other employee benefit amounts which need not be recognized in the current period; 2) principal and interest on general long-term debt which is recognized when due; 3) inventories of materials and supplies which may be considered expenditures either when purchased or consumed; and 4) prepaid insurance and similar items which need not, but may be, reported.

All Proprietary Funds are reported under the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The Board applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements, issued on or before November 30, 1989, unless pronouncements conflict with or contradict GASB pronouncements.

(3) Budgets and Budgetary Accounting - The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The County Controller submits to the County Board of Commissioners a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including formal public hearings conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to December 31 of each year, the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

- d. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Chippewa County Board of Commissioners, through policy action, specifically directs the Controller not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Chippewa County Controller is authorized by means of County policy to make certain transfers:
 - 1) The Controller receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amounts to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Commissioners.
 - 2) The following considerations must be reviewed in determination of transfer approvals:
 - (a) Is the transfer consistent with the intent of the Board of Commissioners in adopting the annual budget?
 - (b) Will the transfer maintain the financial integrity of the County?
 - (c) Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Controller will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the County Controller and submitted to the Finance Committee for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Controller's office through a budget revision.

- f. The County of Chippewa adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Commissioners, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

- g. Budgets were adopted in substance on the modified accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts reported in the financial statements are as amended by the County Board of Commissioners which was materially the same as originally adopted.
 - h. General Fund budgeted appropriations to other County departments/budgetary units unexpended at the end of the current fiscal operating year revert to the County General Fund and all budgets lapse at year end.
- (4) Cash and Cash Equivalents - Cash balances from most funds of the County are combined and invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments are recorded in the General Fund as an operating revenue with the exception of earnings on temporary investments of certain other special purpose funds. Investments are stated at cost which approximates fair value.
- (5) Property Taxes - Property taxes levied attach as an enforceable lien on property. Taxes are levied on December 1 and payable by February 28 of the subsequent year. The County tax is collected by various local tax collecting units (townships, cities, etc.). The taxes are recognized as revenue in the year in which payment is due. Collections of the County taxes from the December 1, 2002 levy, which were received prior to December 31, 2002, are held in the Agency Fund and recorded as undistributed taxes.
- (6) Interfund Transfers - During the course of its operations, the County has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds have not been paid as of December 31, 2002, balances of interfund accounts receivable or payable have been recorded. These interfund transactions are recorded in the respective funds as operating transfers in or out.
- (7) Fixed Assets and Long-term Liabilities - The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on expending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. This reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.
- Fixed assets of governmental funds are normally reported in a "Fixed Assets Group of Accounts."
- (8) Deferred Revenues - Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(9) Total Columns on Combined Statements - Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Consolidation requires that interfund elimination be made in the aggregation of this data.

(10) Inventories - Inventories are valued at the lower of cost and market (or at cost) using the average cost method for proprietary fund types. Inventory consists primarily of paper and office supplies.

(11) Prepaid Items - Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items.

(12) Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these accounts.

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with Statement of Financial Accounting Standards 43, no liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability is recognized for that portion of accumulating sick-leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

(13) Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

(14) Reservations and Designations - Portions of fund equity are restricted for specific use and are, therefore, not available for general appropriations or expenditures. Fund balance reservations represent those amounts which are legally, contractually, or otherwise segregated for future use. Designations of unreserved fund equity indicate management's tentative plans for use of financial resources in a future period.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE C - CASH AND EQUIVALENTS:

The primary government's restricted cash consists of \$573,433 in the Chippewa County Health Department's fund for the purposes of future continuing public health education and out-of-town patient travel. Component unit cash is restricted for the Building Fund and vested sick and vacation pay at the EDC.

The composition of cash and equivalents as reported in the combined balance sheet is presented below:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Reported in financial statements:			
Cash and equivalents:			
Unrestricted	\$ 10,696,754	\$ 2,679,354	\$ 13,376,108
Restricted	573,433	450,960	1,024,393
Cash Overdrafts	<u>(246,724)</u>	<u>-</u>	<u>(246,724)</u>
TOTALS	<u>\$ 11,023,463</u>	<u>\$ 3,130,314</u>	<u>\$ 14,153,777</u>
Composition of balances:			
Imprest cash on hand	\$ 3,280	\$ 450	\$ 3,730
Demand deposits - checking and saving	1,607,731	1,431,907	3,039,638
Certificates of deposit	9,343,198	1,669,406	11,012,604
Repurchase agreement	69,254	-	69,254
Municipal Mutual Funds	<u>-</u>	<u>28,551</u>	<u>28,551</u>
TOTALS	<u>\$ 11,023,463</u>	<u>\$ 3,130,314</u>	<u>\$ 14,153,777</u>

Statutory Authority:

Michigan Compiled Laws Section 129.91 authorize the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency of instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE C - CASH AND EQUIVALENTS: (Continued)

f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80 a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (ExSess) PA 7, MCL 124.501 to 124.512.

i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.

j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits are in accordance with statutory authority.

The County's deposits are deposited in several financial institutions:

	<u>Insured FDIC & NCUA</u>	<u>Uncollateralized & Uninsured</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits:				
Primary government	\$ 406,660	\$ 11,252,138	\$ 11,658,798	\$ 10,950,929
Component units	<u>400,100</u>	<u>2,799,186</u>	<u>3,199,286</u>	<u>3,101,313</u>
TOTALS	<u>\$ 806,760</u>	<u>\$ 14,051,324</u>	<u>\$ 14,858,084</u>	<u>\$ 14,052,242</u>

The County's investments, all of which are classified as cash equivalents in the combined balance sheet, are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by Central Savings Bank's trust department or agent in the County's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the County's name.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase Agreement	<u>\$ -</u>	<u>\$ 69,254</u>	<u>\$ -</u>	\$ 69,254	\$ 69,254
Municipal Mutual Funds (Uncategorized)				<u>28,551</u>	<u>28,551</u>
Total Investments				<u>\$ 97,805</u>	<u>\$ 97,805</u>

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE D - PROPERTY TAXES:

The County property tax is levied each December 1 on the assessed valuation of property located in the County as of the preceding December 31. Assessed values are established annually by the County and are equalized by the State at an estimated 50 percent of current market value. Real and personal property in Chippewa County for the 2002 fiscal year was assessed at a taxable value of \$723,710,277. The County operating tax rate is currently 6.0453 mills. Current tax calculations are as follows:

	General Fund	Ambulance Fund	Recycling Fund	Jail Expansion Bond Retirement
Taxable Value	\$723,710,277	\$723,710,277	\$723,710,277	\$723,710,277
Millage rate	6.0453	0.4293	0.5000	0.6000
Total property taxes	\$ 4,375,046	\$ 310,689	\$ 361,855	\$ 434,226

By agreement with various taxing authorities, the County purchases at face value the real property taxes receivable returned delinquent each March 1. The property taxes receivable of the internal service fund are pledged for payment of notes payable, the proceeds of which were used to liquidate the amounts due the General Fund and other funds and other governmental agencies for purchase of the delinquent real taxes. Subsequent collections of delinquent taxes receivable, plus interest and collection fees thereon and investment earnings, are used to extinguish the debt.

NOTE E - CONTINGENT LIABILITIES:

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2002.

Risk Management - The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The County joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE E - CONTINGENT LIABILITIES: (Continued)

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE F - RETIREMENT PLANS:

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2001.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2001 is as follows:

General - Other	7.96%
Sheriff	9.57%
Health Department	7.21%
Employment, Training	6.20%
General - Economic	6.74%
Economic Officials	3.76%

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE F - RETIREMENT PLANS: (Continued)

Annual Pension Cost

During the fiscal year ended December 31, 2002, the County's contributions totaling \$403,202 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2000. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

GASB 25 INFORMATION (AS OF 12/31/01)

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$ 5,768,333
Terminated employees not receiving benefits	981,162
Current employees:	
Accumulated employee contributions including allocated investment income	985,179
Employer financed	<u>10,382,548</u>
Total Actuarial Accrued Liability	18,117,222
Net Assets Available for Benefits at Actuarial Value (Market Value is \$14,889,395)	<u>\$ 16,467,208</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 1,650,014</u>

GASB 27 INFORMATION (as of 12/31/01)

Fiscal Year Beginning	January 1, 2003
Annual Required Contribution (ARC)	\$512,196
Amortization Factor Used	0.053632

Three-Year Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Actuarial Liability (AAL) - Entry Age (b)	Underfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
12/31/99	\$ 3,685,739	\$ 13,633,684	\$ (52,055)	100%	\$ 5,060,190	-%
12/31/00	15,206,302	16,022,011	815,709	95	5,364,949	15%
12/31/01	16,467,208	18,117,222	1,650,014	91	5,995,031	28%

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE F - RETIREMENT PLANS: (Continued)

ROAD COMMISSION

Description of Plan and Plan Assets

The Road Commission has an agent, single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2000.

MERS was organized pursuant to Section 12a of Act "156, Public Acts of 1851; MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which require employees to contribute 0% to 10% to the plan. The Road Commission is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at December 31, 2001 is as follows: General - 11.14%.

Annual Pension Cost

During the fiscal year ended December 31, 2002, the Commission's contributions totaling \$166,594 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2000. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE F - RETIREMENT PLANS: (Continued)

GASB 25 INFORMATION (AS OF 12/31/01)

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$ 4,750,956
Terminated employees not receiving benefits	175,123
Current employees:	
Accumulated employee contributions including allocated earnings	86,474
Employer financed	<u>5,547,136</u>
Total Actuarial Accrued Liability	10,559,689
Net Assets Available for Benefits at Actuarial Value (Market Value is \$8,403,676)	<u>\$ 9,294,205</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 1,265,484</u>

GASB 27 INFORMATION (as of 12/31/01)

Fiscal Year Beginning	January 1, 2003
Annual Required Contribution (ARC)	\$240,888
Amortization Factor Used	0.053632

Three-Year Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Actuarial Liability (AAL) - Entry Age (b)	Underfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
12/31/99	\$ 8,325,711	\$ 8,619,174	\$ 293,463	97%	\$ 2,086,850	14%
12/31/00	8,915,213	9,560,840	645,627	93%	2,144,379	30%
12/31/01	9,294,205	10,559,689	1,265,484	88%	2,162,460	59%

ECONOMIC DEVELOPMENT CORPORATION

The Economic Development Corporation makes contributions on behalf of eligible employees to the Michigan Municipal Employees Retirement System, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipalities in the State of Michigan.

A summary of the pension obligation for the Economic Development Corporation at January 1, 2002 is presented with general County information. Complete information regarding the pension may be obtained from the Economic Development Corporation.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE G - LEASE COMMITMENTS:

The Health Department and EDC entered into a capital lease commitments for computers and equipment. The following presents a summary of the lease commitments.

	Health Dept.			EDC		
	Present Value of Minimum Lease Payments	Interest	Total Minimum Lease Payments	Present Value of Minimum Lease Payments	Interest	Total Minimum Lease Payments
2003	\$ 11,478	\$ 3,633	\$ 15,111	\$ 21,805	\$ 4,881	\$ 26,686
2004	12,435	2,676	15,111	23,069	3,617	26,686
2005	13,477	1,634	15,111	24,408	2,278	26,686
2006	13,383	476	13,859	13,753	862	14,615
TOTALS	<u>\$ 50,773</u>	<u>\$ 8,419</u>	<u>\$ 59,192</u>	<u>\$ 83,035</u>	<u>\$ 11,638</u>	<u>\$ 94,673</u>

NOTE H - GENERAL FIXED ASSETS ACCOUNT GROUP:

The general fixed assets account group presented on the combined balance sheet represents fixed assets of the County, recorded at estimated cost.

The following is a summary of the fixed assets:

	Balance 01/01/02	Additions	Dispositions	Adjustments	Balance 12/31/02
Buildings	\$ 11,785,099	\$ 60,066	\$ -	\$ -	\$ 11,845,165
Vehicles	576,386	110,940	102,689	16,282	600,919
Furniture and Fixtures	1,883,366	51,065	48,304	(167,430)	1,718,697
	<u>\$ 14,244,851</u>	<u>\$ 222,071</u>	<u>\$ 150,993</u>	<u>\$ (151,148)</u>	<u>\$ 14,164,781</u>

The following is a summary of changes in fixed assets for the Economic Development Corporation:

	Balance 01/01/02	Additions	Dispositions	Balance 12/31/02
Land	\$ 1,731,800	\$ 214,875	\$ -	\$ 1,946,675
Buildings	5,871,797	4,319,113	128,000	10,062,910
Buildings and land improvements	4,568,206	3,213,760	-	7,781,966
Vehicles	1,081,800	-	-	1,081,800
Equipment	637,074	1,678,208	87,461	2,227,821
Construction Progress	1,960,942	-	1,960,942	-
Total Assets	15,851,619	9,425,956	2,176,403	23,101,172
Accumulated depreciation	(3,668,790)	(555,082)	(132,528)	(4,091,344)
NET ASSETS	<u>\$ 12,182,829</u>	<u>\$ 8,870,874</u>	<u>\$ (2,043,875)</u>	<u>\$ 19,009,828</u>

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE H - GENERAL FIXED ASSETS ACCOUNT GROUP: (Continued)

The following is a summary of changes in fixed assets for the Chippewa County Road Commission:

	Balance 01/01/02	Additions	Adjustments/ Dispositions	Balance 12/31/02
Fixed Assets:				
Land	\$ 277,109	\$ 5,009	\$ -	\$ 282,118
Buildings	2,302,205	194,072	-	2,496,277
Equipment - road	7,927,258	1,623,209	650,618	8,899,849
Equipment - shop	83,078	44,010	-	127,088
Equipment - office	59,672	-	-	59,672
Equipment - engineers	19,615	9,996	-	29,611
Depletable assets	<u>427,475</u>	<u>22,198</u>	<u>-</u>	<u>449,673</u>
TOTALS	<u>\$ 11,096,412</u>	<u>\$ 1,898,494</u>	<u>\$ 650,618</u>	<u>\$ 12,344,288</u>
Reserve for depreciation:				
Buildings	\$ 878,023	\$ 73,123	\$ -	\$ 951,146
Equipment - road	5,999,316	794,396	597,665	6,196,047
Equipment - shop	57,180	9,363	-	66,543
Equipment - office	29,746	5,673	-	35,419
Equipment - engineers	18,615	1,509	-	20,124
Reserve for depletion	<u>39,858</u>	<u>1,305</u>	<u>-</u>	<u>41,163</u>
TOTALS	<u>7,022,738</u>	<u>885,369</u>	<u>597,665</u>	<u>7,310,442</u>
Plant and equipment equity				
Road Commission funds	<u>\$ 4,073,674</u>	<u>\$ 1,013,125</u>	<u>\$ 52,953</u>	<u>\$ 5,033,846</u>

\$12,166 of depreciation expense results from state owned storage.

NOTE I - GENERAL LONG-TERM DEBT:

General long-term debt of the County consists of the following:

(1) Accumulated Unpaid Compensated Absences - Employees earn varying amounts of annual vacation and sick leave based on number of years of service up to a maximum and on the various labor union contract terms and administration policies of the different County operating units. Vacation is accumulated and taken annually. Sick leave can accumulate up to 120 days with 100 percent vesting after three years of service for the Sheriff's department only. At December 31, 2002, the accumulated unpaid compensated absences amounted to \$238,562.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE I - GENERAL LONG-TERM DEBT: (Continued)

The following is a summary of changes in accumulated unpaid compensated absences for the year ended December 31, 2002:

Accrued unpaid compensated absences, beginning of year	\$ 252,188
Amount paid, net of forfeitures and amounts earned	<u>(13,626)</u>
ACCRUED UNPAID COMPENSATED ABSENCES, END OF YEAR	<u>\$ 238,562</u>

(2) 1977 Superior Township Water and Sewer Bonds - These bonds are general obligation bonds of the County incurred for water and sewer facilities on behalf of Superior Township located within the County of Chippewa. The County serves as general obligator for the payment of principal and interest at an annual rate of 5 percent, maturing in 2016.

A summary of the future payments and balance of the bonds payable as of December 31, 2002 is as follows:

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 5,000	\$ 3,625	\$ 8,625
2004	5,000	3,375	8,375
2005	5,000	3,125	8,125
2006	5,000	2,875	7,875
2007	5,000	2,625	7,625
2008-2012	25,000	9,375	34,375
2013-2016	<u>25,000</u>	<u>2,575</u>	<u>27,575</u>
TOTALS	<u>\$ 75,000</u>	<u>\$ 27,575</u>	<u>\$ 102,575</u>

(3) 2000 Chippewa County Water Supply System Bonds - These bonds are general obligation bonds of the County incurred for water and sewer facilities on behalf of Superior Township located within the County of Chippewa. The County serves as general obligator for the payment of principal and interest at an annual rate of 4.5 percent, maturing in 2040.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE 1 - GENERAL LONG-TERM DEBT: (Continued)

A summary of the future payments and balance of the bonds payable as of December 31, 2002 is as follows:

<u>Year of Maturity</u>	<u>Series A</u> <u>Principal</u>	<u>Series B</u> <u>Principal</u>	<u>Series A</u> <u>Interest</u>	<u>Series B</u> <u>Interest</u>	<u>Total</u>
2003	\$ 5,000	\$ 500	\$ 26,190	\$ 1,204	\$ 33,894
2004	5,000	500	25,920	1,181	33,601
2005	7,000	500	25,628	1,159	34,287
2006	7,000	500	25,312	1,136	33,948
2007	7,000	500	24,998	1,114	33,612
2008-2012	41,000	2,500	119,814	5,231	168,545
2013-2017	51,000	2,500	109,462	4,669	167,631
2018-2022	64,000	2,500	96,525	4,106	167,131
2023-2027	81,000	3,000	80,349	3,533	167,882
2028-2032	100,000	5,000	60,075	2,590	167,665
2033-2037	125,000	5,000	34,763	1,465	166,228
2038-2040	<u>90,000</u>	<u>4,000</u>	<u>6,160</u>	<u>287</u>	<u>100,447</u>
TOTALS	<u>\$ 585,000</u>	<u>\$ 27,000</u>	<u>\$ 635,196</u>	<u>\$ 27,675</u>	<u>\$ 1,274,871</u>

(4) 1995 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds - These bonds are limited tax general obligation bonds incurred for water and sewer facilities on behalf of the City of Sault Ste. Marie located within the County of Chippewa. The County has pledged its full faith and credit for payment of principal and interest at an annual rate of 5 percent on the bonds maturing in through 2015.

A summary of the future payments and balance of the bonds payable as of December 31, 2002 is as follows:

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 145,000	\$ 133,305	\$ 278,305
2004	150,000	126,055	276,055
2005	165,000	118,555	283,555
2006	160,000	110,305	270,305
2007	180,000	102,305	282,305
2008-2012	1,045,000	367,775	1,412,775
2013-2015	<u>805,000</u>	<u>83,640</u>	<u>888,640</u>
TOTALS	<u>\$ 2,650,000</u>	<u>\$ 1,041,940</u>	<u>\$ 3,691,940</u>

(5) 1995 Building Authority Bonds - These bonds are limited tax general obligation bonds incurred for construction on behalf of Chippewa County Building Authority which is located within the County of Chippewa. The County serves as general obligator for payment of principal and interest at an annual rate of 5.47 percent on the bonds maturing in 2015.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE I - GENERAL LONG-TERM DEBT: (Continued)

A summary of the future payments and outstanding balance of the bonds payable as of December 31, 2002 is as follows:

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 80,000	\$ 81,138	\$ 161,138
2004	85,000	77,053	162,053
2005	90,000	72,678	162,678
2006	95,000	67,958	162,958
2007	100,000	62,838	162,838
2008-2012	610,000	220,406	830,406
2013-2015	<u>455,000</u>	<u>40,104</u>	<u>495,104</u>
TOTALS	<u>\$ 1,515,000</u>	<u>\$ 622,175</u>	<u>\$ 2,137,175</u>

(6) 1998 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds - These bonds are limited tax general obligation bonds issued to finance the construction of water and sewer facilities on behalf of the City of Sault Ste. Marie located in the County of Chippewa. The County has pledged its full faith and credit for payment of principal and interest at an annual rate of 4.29 percent on the bonds maturing in 2018.

A summary of the future payments and outstanding balance of the bonds payable as of December 31, 2002 is as follows:

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 90,000	\$ 107,938	\$ 197,938
2004	90,000	104,608	194,608
2005	100,000	101,278	201,278
2006	90,000	97,478	187,478
2007	105,000	94,012	199,012
2008-2012	560,000	406,559	966,559
2013-2017	1,145,000	274,545	1,419,545
2018	<u>450,000</u>	<u>19,124</u>	<u>469,124</u>
TOTALS	<u>\$ 2,630,000</u>	<u>\$ 1,205,542</u>	<u>\$ 3,835,542</u>

(7) 1999 Building Authority Bonds- These bonds are limited tax general obligation bonds incurred for construction on behalf of the Chippewa County Building Authority which is located within the County of Chippewa. The County serves as general obligator for payment of principal and interest at an annual rate of 4.3 percent on the bonds maturing in 2018.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE I - GENERAL LONG-TERM DEBT: (Continued)

A summary of the future payments and outstanding balance of the bonds payable as December 31, 2002 is as follows:

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 125,000	\$ 175,403	\$ 300,403
2004	140,000	170,090	310,090
2005	150,000	164,070	314,070
2006	165,000	157,620	322,620
2007	180,000	150,525	330,525
2008-2012	1,170,000	620,830	1,790,830
2013-2017	1,710,000	325,791	2,035,791
2018	<u>420,000</u>	<u>18,375</u>	<u>438,375</u>
TOTALS	<u>\$ 4,060,000</u>	<u>\$ 1,782,704</u>	<u>\$ 5,842,704</u>

(8) 2000 Building Authority Bonds- These bonds are limited tax general obligation bonds incurred for construction on behalf of the Chippewa County Building Authority which is located within the County of Chippewa. The County serves as general obligator for payment of principal and interest at an annual rate of 4.83 percent on the bonds maturing in 2009.

A summary of the future payments and outstanding balance of the bonds payable as December 31, 2002 is as follows:

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 145,000	\$ 56,345	\$ 201,345
2004	155,000	49,820	204,820
2005	160,000	42,690	202,690
2006	165,000	35,170	200,170
2007	175,000	27,250	202,250
2008-2009	<u>370,000</u>	<u>28,000</u>	<u>398,000</u>
TOTALS	<u>\$ 1,170,000</u>	<u>\$ 239,275</u>	<u>\$ 1,409,275</u>

(9) 2001 Chippewa County Water Supply and Sewage Disposal System Bonds - These bonds are limited tax general obligation bonds issued to finance the construction of water and sewer facilities on behalf of the City of Sault Ste. Marie located in the County of Chippewa. The County has pledged its full faith and credit for payment of principal and interest at rates of 3.50% - 4.75% on the bonds maturing in 2022.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE I - GENERAL LONG-TERM DEBT: (Continued)

A summary of the future payments and outstanding balance of the bonds payable as of December 31, 2002 is as follows.

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 60.000	\$ 118.299	\$ 178.299
2004	65.000	116.199	181.199
2005	65.000	113.924	178.924
2006	65.000	111.648	176.648
2007	65.000	109.049	174.049
2008-2012	390.000	501.725	891.725
2013-2017	590.000	413.944	1,003.944
2018-2022	<u>1,300.000</u>	<u>192.919</u>	<u>1,492.919</u>
TOTALS	<u>\$ 2,600.000</u>	<u>\$ 1,677.707</u>	<u>\$ 4,277.707</u>

The following is a summary of bond principal transactions for the year ended December 31, 2002:

Bonds payable, beginning of year	\$ 15,813.500
Bonds issued during the year	-
Principal reductions during year	<u>(501.500)</u>
BONDS PAYABLE, END OF YEAR	<u>\$ 15,312.000</u>

The following is a summary of principal transactions affecting the Economic Development Corporation of Chippewa County's long-term debt for the year ended December 31, 2002.

	<u>Notes Payable</u>
Balance beginning of year	\$ 116,857
Debt issued	361.000
Debt retired	<u>(17,626)</u>
BALANCE, END OF YEAR	<u>\$ 460.231</u>

A summary of debt service requirements is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2003	\$ 379,062	\$ 5,586	\$ 384,648
2004	18,517	4,503	23,020
2005	18,993	3,398	22,391
2006	19,492	2,271	21,763
2007	11,643	1,120	12,763
Thereafter	<u>12,524</u>	<u>573</u>	<u>13,097</u>
TOTAL	<u>\$ 460,231</u>	<u>\$ 17,451</u>	<u>\$ 477,682</u>

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE I - GENERAL LONG-TERM DEBT: (Continued)

The following is a summary of pertinent information concerning the County Road Commission's long-term debt:

<u>Description</u>	<u>Changes in Long Term Debt</u>			
	<u>01/01/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/02</u>
Installment payable, secured by vehicles, payable in monthly installments of \$10,661 including interest of 5.71%	\$ 402,909	\$ -	\$ 275,719	\$ 127,190
Installment payable, secured by equipment, payable in monthly installments of \$11,996 including interest of 5.70%	368,331	-	291,123	77,208
Installment payable, secured by (14) Peterbilt Trucks, payable in monthly installments of \$21,368 including interest of 4.46%	-	1,145,939	131,051	1,014,888
Lease payable, secured by equipment, payable in monthly installments of \$870 including interest of 5.90%	24,968	-	9,217	15,751
Installment payable, secured by equipment, payable in monthly installments of \$3,088 including interest of 5.20%	150,845	-	30,179	120,666
Installment payable, secured by equipment, payable in monthly installments of \$2,228 including interest of 5.20%	112,167	-	21,574	90,593
Installment payable secured by (8) Peterbilt Trucks, payable in monthly installments of \$12,142 including interest of 5.35%	<u>22,629</u>	<u>-</u>	<u>22,629</u>	<u>-</u>
Subtotal	1,081,849	1,145,939	781,492	1,446,296
Compensated Absences (1)	626,059	17,451	-	643,510
Current Portion of Compensated Absences (1)	<u>(180,000)</u>	<u>-</u>	<u>12,000</u>	<u>(168,000)</u>
Total Long Term Debt	<u>\$ 1,527,908</u>	<u>\$ 1,163,390</u>	<u>\$ 769,492</u>	<u>\$ 1,921,806</u>

(1) Compensated absence changes are shown as a net addition. \$168,000 is classified as current according to provisions of GASB #16.

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE I - GENERAL LONG-TERM DEBT: (Continued)

Annual debt service requirements are as follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total</u>
Principal	<u>\$ 483,219</u>	<u>\$ 287,699</u>	<u>\$ 295,001</u>	<u>\$ 285,950</u>	<u>\$ 94,427</u>	<u>\$1,446,296</u>

NOTE J - INTERFUND RECEIVABLES AND PAYABLES:

Individual fund interfund receivable and payable balances at December 31, 2002 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 280,316	General	\$ 167,430
DTRF Administration	26,930	Secondary Road Patrol	35,496
Office of Community Correction	209	Youth Substance	13,895
Law Library	319	County Liaison	28,487
Ambulance	15,267	Ambulance	15,267
E911	147,509	Hazardous Waste	25,230
Probate Child Care	47,897	E911	147,508
Animal Shelter Construction	119,005	Law Library	79
		Tax Revolving	6,987
		1999 Tax Revolving	7,113
		2000 Tax Revolving	9,656
		2001 Tax Revolving	3,175
		Homestead Tax	7,110
		Central Stores	22,510
		EDC	<u>147,509</u>
TOTAL	<u>\$ 637,452</u>		<u>\$ 637,452</u>

NOTE K - OPERATING TRANSFERS IN AND OUT:

A reconciliation of the operating transfers is as follows:

All governmental fund types:	
Total operating transfers in	\$ 1,857,731
Total operating transfers out	(1,997,731)
All proprietary fund types:	
Total operating transfers in	4,826,820
Total operating transfers out	<u>(4,686,820)</u>
RECONCILED DIFFERENCE	<u>\$ -</u>

CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE L - JOINTLY GOVERNED UNIT:

The Chippewa County-Sault Ste. Marie Joint Building Authority is a jointly governed organization in which the County has no equity interest. The County has remitted rental payments during 2002 to the Authority in the amount of \$131,441.

NOTE M - FUND BALANCE/RETAINED EARNINGS:

Reservations

Retained earnings reservations are summarized as follows:

Internal Service Funds

Central Stores - reserved for the purchase method of recording inventory

\$ 14,265

Designations

Fund balance designations, all of which are designations for subsequent years' expenditures, are summarized as follows:

Special Revenue Funds

Health Department

\$ 77,992

Chippewa County Recycling

238,823

Total - Special Revenue Funds

\$ 316,815

Debt Service Funds

Avery Square bond retirement

\$ 219,539

1988 Building Authority bond retirement

1,661

Hakola-Ross Drainage

12,195

Jail Expansion bond retirement

502,243

Total - Debt Service Funds

\$ 735,638

Capital Projects Fund

2000 Superior Township

\$ 62

Courthouse Annex

38,989

Total - Capital Projects

\$ 39,051

NOTE N - POST RETIREMENT BENEFITS OTHER THAN PENSION:

The County provides post retirement hospitalization to employees of the government pursuant to the terms of union contracts. Additionally, some elected County officials who served more than 20 years and are retired receive post retirement hospitalization, pursuant to Board of Commission resolution.

The County funds 100% of the premiums of the policies on a pay-as-you-go basis. During 2002, the County paid hospitalization premiums for qualified individuals. Actuarial valuations of estimated future costs were not available.

SUPPLEMENTAL INFORMATION

GENERAL FUND

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

CHIPPEWA COUNTY
GENERAL FUND
BALANCE SHEET
December 31, 2002

With Comparative Amounts at December 31, 2001

	<u>2002</u>	<u>2001</u>
ASSETS:		
Cash and equivalents	\$ 132,240	\$ 972,449
Receivables:		
Accounts	141,091	88,359
Taxes	4,375,046	4,187,265
Accrued interest on deposits	50,215	50,215
Prepaid expenses	35,997	26,708
Due from other funds	280,316	285,294
Due from other governmental units	335,121	278,996
TOTAL ASSETS	<u>\$ 5,350,026</u>	<u>\$ 5,889,286</u>
LIABILITIES:		
Cash overdrafts	\$ 188,700	\$ 314
Accounts payable	76,233	68,536
Due to other funds	167,430	61,470
Accrued payroll and related liabilities	110,136	124,769
Deferred revenue	4,375,046	4,187,265
TOTAL LIABILITIES	<u>4,917,545</u>	<u>4,442,354</u>
FUND EQUITY:		
Fund balance:		
Unreserved:		
Designated	-	300,000
Undesignated	432,481	1,146,932
Total fund balance	<u>432,481</u>	<u>1,446,932</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 5,350,026</u>	<u>\$ 5,889,286</u>

CHIPPEWA COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2002

With Comparative Actual Amounts for the Year Ended December 31, 2001

	2002			
	Budget	Actual	Variance- Favorable (Unfavorable)	2001
REVENUES:				
Taxes:				
Ad Valorem taxes	\$ 4,103,500	\$ 4,053,917	\$ (49,583)	\$ 3,850,538
Delinquent	14,000	30,636	16,636	24,634
Commercial forest taxes	17,000	16,862	(138)	19,254
Swamp taxes	144,500	144,474	(26)	144,443
Total taxes	4,279,000	4,245,889	(33,111)	4,038,869
Federal sources:				
COPS FAST! grant	22,000	-	(22,000)	14,152
Prosecuting Attorney	69,000	63,015	(5,985)	60,071
SANE Grant	-	34,384	34,384	30,923
Friend of the Court	153,200	158,222	5,022	155,459
Total federal sources	244,200	255,621	11,421	260,605
State sources:				
Marine safety program	55,830	39,546	(16,284)	28,732
Juvenile Justice	27,800	27,317	(483)	27,317
Court Equity Fund distribution	200,000	212,604	12,604	213,525
COPS UHP Grant	-	-	-	5,469
Cigarette tax	45,000	33,263	(11,737)	34,227
State income tax	750,000	733,521	(16,479)	720,756
Single business tax	39,500	-	(39,500)	39,422
Circuit Judge salary	24,200	24,234	34	24,234
District Judge salary	45,000	45,274	274	45,724
Probate Judge salary	121,000	146,742	25,742	142,904
Prosecuting Attorney	63,900	83,802	19,902	28,327
State inmate cost reimbursement	37,000	68,677	31,677	28,791
Tourism and convention facility promotions	165,000	165,274	274	165,671
Remonumentation	68,500	111,527	43,027	70,901
Friend of the Court	53,000	150,602	97,602	64,103
State ATV Grant	12,400	12,156	(244)	12,171
Snowmobile Patrol Grant	25,092	25,862	770	27,516
State ORV Grant	11,760	12,515	755	8,406
District Court	7,500	6,368	(1,132)	6,560
Total state sources	1,752,482	1,899,284	146,802	1,694,756
Charges for services:				
Township liquor	7,750	8,786	1,036	8,316
Licenses and permits	9,000	18,824	9,824	7,227

CHIPPEWA COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2002

With Comparative Actual Amounts for the Year Ended December 31, 2001

	2002			
	Budget	Actual	Variance- Favorable (Unfavorable)	2001
Prosecuting Attorney	\$ 3,500	\$ 4,023	\$ 523	\$ 2,888
Circuit Court services	11,500	11,246	(254)	10,854
District Court costs	354,500	362,262	7,762	319,720
District Court probation	21,000	18,240	(2,760)	19,435
Probate Court	27,500	24,943	(2,557)	25,187
Family Court probation	10,000	9,979	(21)	11,135
Friend of the Court	30,500	23,052	(7,448)	21,411
Treasurer	7,200	6,783	(417)	6,659
Clerk	55,000	60,913	5,913	59,441
Register of Deeds	127,500	155,953	28,453	153,868
Register of Deeds - real estate transfer tax	82,000	92,824	10,824	81,748
Sheriff	31,000	20,269	(10,731)	24,104
Sheriff - prisoner boarding	140,000	143,102	3,102	126,007
Sheriff - inmate phone charges	55,000	67,591	12,591	53,895
Equalization	8,000	7,134	(866)	7,195
Civil processing	22,000	24,650	2,650	22,329
Circuit Court costs	14,500	25,522	11,022	16,946
District Court	44,050	50,392	6,342	42,017
Other	4,400	1,500	(2,900)	6,369
Total charges for services	1,065,900	1,137,988	72,088	1,026,751
Interest on deposits	375,000	227,677	(147,323)	454,459
Fees and collections	10,000	29,050	19,050	756
Fines and forfeitures	77,500	68,530	(8,970)	59,316
Other revenues:				
Payment in lieu of taxes	92,200	120,994	28,794	130,105
Reimbursements	185,000	255,934	70,934	252,882
Refunds and rebates	40,000	22,669	(17,331)	19,010
Sale of fixed assets	5,000	2,902	(2,098)	51,377
Other	75,915	75,901	(14)	30,750
2% Gaming	175,000	211,726	36,726	208,446
Total other revenues	573,115	690,126	117,011	692,570
TOTAL REVENUES	8,377,197	8,554,165	176,968	8,228,082

CHIPPEWA COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2002

With Comparative Actual Amounts for the Year Ended December 31, 2001

	2002			
	Budget	Actual	Variance- Favorable (Unfavorable)	2001
EXPENDITURES:				
Legislative:				
Board of Commissioners	\$ 142,000	\$ 141,865	\$ 135	\$ 137,431
Judicial:				
Circuit Court	600,000	603,523	(3,523)	534,727
District Court	502,000	506,547	(4,547)	403,469
Friend of the Court	371,000	376,201	(5,201)	354,892
Jury Board	2,850	2,837	13	2,428
Probate Court	375,000	370,744	4,256	356,236
Indigent legal fees	301,000	305,676	(4,676)	248,704
Bailiff	32,000	31,930	70	30,043
Total judicial	2,183,850	2,197,458	(13,608)	1,930,499
General government:				
County Controller	270,000	269,331	669	230,049
Data processing	242,000	238,193	3,807	250,272
Elections	27,700	27,695	5	1,418
County Clerk	185,000	185,093	(93)	176,975
Equalization	168,000	167,982	18	142,814
Prosecuting Attorney	410,000	414,165	(4,165)	340,388
Support Coordinator	92,000	92,445	(445)	75,897
Remonumentation	126,527	126,527	-	85,901
Register of Deeds	215,000	215,859	(859)	182,649
Treasurer	191,000	191,621	(621)	208,846
Cooperative Extension	105,000	105,604	(604)	108,181
Building and grounds	370,000	375,342	(5,342)	308,784
Drain Commissioner	1,025	1,213	(188)	1,035
Soil Conservation District	22,000	22,000	-	20,000
Surveyor	26,000	26,045	(45)	24,394
ATV Education Grant	12,156	12,157	(1)	12,454
Total general government	2,463,408	2,471,272	(7,864)	2,170,057
Public safety:				
Sheriff	652,000	649,199	2,801	623,674
Concealed Weapons Board	10,000	9,818	182	4,062
S.A.N.E.	85,000	84,976	24	81,420
EUP Crisis Response Team	500	500	-	500
Marine	47,484	30,213	17,271	30,941
Northern Int'l. Crime Stopper	750	750	-	750
COPS FAST! Grant	107,000	108,432	(1,432)	100,140
Jail	1,020,000	1,025,595	(5,595)	1,054,667
Regional Planning Commission	19,960	19,960	-	19,960
Snowmobile patrol grant	33,041	34,246	(1,205)	33,068

CHIPPEWA COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2002

With Comparative Actual Amounts for the Year Ended December 31, 2001

	2002			
	Budget	Actual	Variance- Favorable (Unfavorable)	2001
O.R.V. Grant	\$ 13,002	\$ 6,702	\$ 6,300	\$ 8,960
Animal Control	155,250	158,394	(3,144)	15,106
Total public safety	2,143,987	2,128,785	15,202	1,973,248
Health and welfare:				
Contagious diseases	2,519	2,519	-	3,886
Health Board	7,599	8,319	(720)	6,158
Substance Abuse	82,637	82,637	-	82,835
Medical Examiner	16,840	19,473	(2,633)	18,878
Health Department	23,479	23,479	-	24,160
Veterans Affairs	75,500	75,604	(104)	74,148
Senior Citizen Nutrition Program	42,000	42,000	-	42,000
Total health and welfare	250,574	254,031	(3,457)	252,065
Recreational and cultural:				
UPTRA	500	-	500	-
Other expenditures:				
Retirees Hospitalization	195,319	195,319	-	143,824
Insurance	70,000	74,921	(4,921)	64,484
Rural Bus Program	25,000	25,000	-	22,200
Legal Services	22,830	23,362	(532)	16,801
Audit	21,965	21,965	-	17,192
Telephone	3,818	3,818	-	6,706
Record Copier	-	1,085	(1,085)	-
Other miscellaneous	50,413	44,834	5,579	46,508
Cost Allocation Plan	5,000	5,000	-	5,000
PILT - Townships	30,000	30,000	-	30,000
Appropriations	176,000	176,334	(334)	231,134
Total other expenditures	600,345	601,638	(1,293)	583,849
Capital outlay:				
Sheriff	-	1,845	(1,845)	10,505
Marine	-	16,972	(16,972)	1,400
O.R.V. Grant	-	6,300	(6,300)	-
Rural addressing	-	-	-	19,770
Record Copier	27,507	27,752	(245)	14,786
Postage Meter	287	287	-	757
Computer	66,000	82,706	(16,706)	123,311
Office furniture and equip.	25,128	25,128	-	12,979

CHIPPEWA COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2002

With Comparative Actual Amounts for the Year Ended December 31, 2001

	2002			
	Budget	Actual	Variance- Favorable (Unfavorable)	2001
Vehicles	\$ 61,501	\$ 61,502	\$ (1)	\$ 54,350
Total capital outlay	180,423	222,492	(42,069)	237,858
TOTAL EXPENDITURES	7,965,087	8,017,541	(52,454)	7,285,007
EXCESS OF REVENUES OVER EXPENDITURES	412,110	536,624	124,514	943,075
OTHER FINANCING SOURCES (USES):				
Transfers in	90,900	71,040	(19,860)	83,227
Transfers out	(1,609,943)	(1,622,106)	(12,163)	(1,406,409)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (1,106,933)	(1,014,442)	\$ 92,491	(380,107)
FUND BALANCE, JANUARY 1		1,446,923		1,827,030
FUND BALANCE, DECEMBER 31		\$ 432,481		\$ 1,446,923

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

CHIPPewa COUNTY
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
As of December 31, 2002

	50th Circuit Court	Construction Code	HUD Grant	Victim's Compensation	D.A.R.E.	Family Counseling	Ambulance	Office of Energy Services	Emergency Telephone System	Sault Drain Project	AOC Child Support	Community Service	Health Department
ASSETS:													
Cash and equivalents	\$ 23,610	\$ 14,700	\$ 1,557	\$ 2,488	\$ 25	\$ 285	\$ 227,215	\$ 3,352	\$ 70,059	\$ -	\$ 21,649	\$ 5,905	\$ 910,577
Cash and equivalents - restricted	-	-	-	-	-	-	-	-	-	-	-	-	573,433
Receivables:													
Accounts	-	-	19,999	-	-	-	-	-	67,726	-	-	-	717,300
Taxes	-	-	-	-	-	-	310,689	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	115	-	-	-	49,796
Due from other funds	-	-	-	-	-	-	15,267	-	147,509	-	-	-	-
Due from other governmental units	-	-	-	-	846	-	-	13,962	-	-	-	-	81,159
TOTAL ASSETS	\$ 23,610	\$ 14,700	\$ 21,556	\$ 2,488	\$ 871	\$ 285	\$ 553,171	\$ 17,314	\$ 285,409	\$ -	\$ 21,649	\$ 5,905	\$ 2,332,265
LIABILITIES:													
Accounts payable	\$ 323	\$ 80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 631	\$ 2,943	\$ -	\$ -	\$ -	\$ 163,823
Due to other funds	-	-	-	-	-	-	-	15,267	147,508	-	-	-	-
Due to other governmental units	-	-	-	-	-	-	-	-	-	-	-	-	48,388
Accrued payroll and related liabilities	-	2,695	-	-	-	-	-	1,416	9,690	-	-	-	210,879
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	281,964
Compensated absences	-	-	-	-	-	-	-	-	-	-	-	-	537,791
Deferred revenue	-	-	-	-	-	-	310,689	-	-	-	-	-	47,180
TOTAL LIABILITIES	323	2,775	-	-	-	-	310,689	17,314	160,141	-	-	-	1,290,025
Fund balance:													
Unreserved:													
Designated	23,287	11,925	21,556	2,488	871	285	242,482	-	125,268	-	21,649	5,905	77,932
Undesignated	-	-	-	-	-	-	-	-	-	-	-	-	964,249
Total fund balance	23,287	11,925	21,556	2,488	871	285	242,482	-	125,268	-	21,649	5,905	1,042,240
TOTAL FUND EQUITY	23,287	11,925	21,556	2,488	871	285	242,482	-	125,268	-	21,649	5,905	1,042,240
TOTAL LIABILITIES AND FUND EQUITY	\$ 23,610	\$ 14,700	\$ 21,556	\$ 2,488	\$ 871	\$ 285	\$ 553,171	\$ 17,314	\$ 285,409	\$ -	\$ 21,649	\$ 5,905	\$ 2,332,265

CHIPPEWA COUNTY
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
As of December 31, 2002

	Correctional Facility Maintenance	Hazardous Waste Facility	Chippewa County Recycling	Office of Community Correction	Chippewa County Liaison Officer	Secondary Road Patrol	Law Enforcement Training	Sheriff Park Patrol	Sheriff Special Projects	Law Library	Youth Substance Abuse Assistance	Chippewa County FIA Appropriation	Big Brothers/Sisters
ASSETS:													
Cash and equivalents	\$ 262,415	\$ -	\$ 238,823	\$ 19,168	\$ -	\$ -	\$ 8,847	\$ 7,155	\$ 4,306	\$ 990	\$ 808	\$ 199	\$ -
Cash and equivalents - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables:													
Accounts	-	25,230	-	12,189	-	-	-	-	-	-	-	-	-
Taxes	-	-	361,855	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	209	-	-	-
Due from other funds	-	-	-	209	-	-	-	-	-	319	-	-	-
Due from other governmental units	-	-	-	-	30,762	37,907	-	-	-	-	14,805	-	-
TOTAL ASSETS	\$ 262,415	\$ 25,230	\$ 600,678	\$ 31,566	\$ 30,762	\$ 37,907	\$ 8,847	\$ 7,155	\$ 4,306	\$ 1,518	\$ 15,613	\$ 199	\$ -
LIABILITIES:													
Accounts payable	\$ 9,957	\$ -	\$ -	\$ 1,952	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,718	\$ -	\$ -
Due to other funds	-	25,230	-	-	28,487	35,496	-	-	-	79	13,836	-	-
Due to other governmental units	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued payroll and related liabilities	-	-	-	1,140	2,276	2,125	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensated absences	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	361,855	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	9,957	25,230	361,855	3,092	30,762	37,621	-	-	-	79	15,613	-	-
Fund balance:													
Unreserved:													
Designated	252,458	-	238,823	-	28,474	-	8,847	7,155	4,306	1,439	-	199	-
Undesignated	-	-	-	-	-	286	-	-	-	-	-	-	-
Total fund balance	252,458	-	238,823	28,474	-	286	8,847	7,155	4,306	1,439	-	199	-
TOTAL FUND EQUITY	252,458	-	238,823	28,474	-	286	8,847	7,155	4,306	1,439	-	199	-
TOTAL LIABILITIES AND FUND EQUITY	\$ 262,415	\$ 25,230	\$ 600,678	\$ 31,566	\$ 30,762	\$ 37,907	\$ 8,847	\$ 7,155	\$ 4,306	\$ 1,518	\$ 15,613	\$ 199	\$ -

CHIPPEWA COUNTY
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
As of December 31, 2002

	FIA Basic Grant	Family Independence Agency	FIA Child Care	Probate Child Care	Veteran's Trust	Friends of the Courthouse	Totals (Memorandum only)
ASSETS:							
Cash and equivalents	\$ 850	\$ 48,690	\$ -	\$ -	\$ 17	\$ 3,487	\$ 1,877,177
Cash and equivalents - restricted	-	-	-	-	-	-	573,433
Receivables:							
Accounts	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	842,444
Prepaid expenses	-	-	-	-	-	-	672,544
Due from other funds	-	-	-	-	-	-	50,120
Due from other governmental units	-	-	-	47,897	-	-	211,201
	-	29,834	-	-	-	-	209,275
TOTAL ASSETS	\$ 850	\$ 78,524	\$ -	\$ 47,897	\$ 17	\$ 3,487	\$ 4,436,194
LIABILITIES:							
Accounts payable	\$ -	\$ -	\$ -	\$ 47,897	\$ -	\$ -	\$ 229,324
Due to other funds	-	-	-	-	-	-	265,962
Due to other governmental units	-	35,000	-	-	-	-	83,388
Accrued payroll and related liabilities	-	-	-	-	-	-	230,220
Other liabilities	-	-	-	-	-	-	281,964
Compensated absences	-	-	-	-	-	-	537,791
Deferred revenue	-	29,834	-	-	-	-	749,558
TOTAL LIABILITIES	-	64,834	-	47,897	-	-	2,378,207
Fund balance:							
Unreserved:							
Designated	850	13,690	-	-	17	3,487	316,815
Undesignated	-	-	-	-	-	-	1,741,172
Total fund balance	850	13,690	-	-	17	3,487	2,057,987
TOTAL FUND EQUITY	850	13,690	-	-	17	3,487	2,057,987
TOTAL LIABILITIES AND FUND EQUITY	\$ 850	\$ 78,524	\$ -	\$ 47,897	\$ 17	\$ 3,487	\$ 4,436,194

CHIPPewa COUNTY

STRENGTHENING THE (CONSTITUTION) STATE

OTHER FINANCING SOURCES (USES):

Transfers in
Transfers out

EXCESS (DEFICIENCY) OF REVENUES AND OTHER

FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES

FUND BALANCES (DEFICIT), JANUARY 1

FUND BALANCES, DECEMBER 31

CHIPPEWA COUNTY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2002

	Correctional Facility Maintenance	Hazardous Waste Facility	Chippewa County Recycling	Office of Community Correction	Chippewa County Liaison Officer	Secondary Road Patrol	Law Enforcement Training	Sheriff Park Patrol	Sheriff Special Projects	Law Library	Youth Substance Abuse Assistance	Chippewa County FIA Appropriation	Big Brothers/Sisters
REVENUES:													
Taxes	\$ -	\$ -	\$ 332,478	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	81,823	-	-	-	-	-	49,191	-	-
State sources	-	68,018	-	48,701	-	90,003	3,882	-	-	-	19,174	-	-
Local sources	-	-	-	-	-	-	-	-	1,500	-	-	-	-
Charges for services	12,587	-	-	72,545	-	-	-	4,499	-	-	-	-	-
Fees and collections	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	25,904	-	-	-	-	3,500	-	5,943	-
TOTAL REVENUES	12,587	68,018	332,478	121,246	107,727	90,003	3,882	4,499	1,500	3,500	68,366	5,943	-
EXPENDITURES:													
Judicial	-	-	-	-	-	-	-	-	-	2,802	-	-	-
Public safety	-	-	-	120,366	107,727	136,188	3,347	1,527	1,352	-	69,173	-	-
Public works	69,908	39,094	340,000	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	28,924	-	-	-	-	-	-	-	-	-	26,785	4,910
TOTAL EXPENDITURES	69,908	68,018	340,000	120,366	107,727	136,188	3,347	1,527	1,352	2,802	69,173	26,785	4,910
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(57,321)	-	(7,522)	880	-	(46,186)	535	2,972	148	698	(808)	(20,842)	(4,910)
OTHER FINANCING SOURCES (USES):													
Transfers in	-	-	-	3,500	-	46,471	-	-	-	201	808	20,150	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(57,321)	-	(7,522)	4,380	-	286	535	2,972	148	989	-	(692)	(4,910)
FUND BALANCES (DEFICIT), JANUARY 1	309,779	-	246,345	24,094	-	-	8,312	4,183	4,158	450	-	891	4,910
FUND BALANCES, DECEMBER 31	\$ 252,458	\$ -	\$ 238,823	\$ 28,474	\$ -	\$ 286	\$ 8,847	\$ 7,155	\$ 4,306	\$ 1,439	\$ -	\$ 199	\$ -

CHIPPEWA COUNTY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2002

	FIA Basic Grant	Family Independence Agency	FIA Child Care	Probate Child Care	Veteran's Trust	Friends of the Courthouse	Totals Memorandum Only
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 621,435
Federal sources	-	-	-	-	-	-	354,820
State sources	10,740	369,830	-	5,416	6,127	-	1,521,546
Local sources	-	-	-	7,500	-	-	234,794
Charges for services	-	-	-	-	-	-	3,826,361
Fees and collections	-	11,362	-	-	-	-	11,362
Fines and forfeitures	-	-	-	-	-	-	3,550
Other revenues	-	-	-	-	200	-	164,507
TOTAL REVENUES	10,740	381,192	-	12,916	6,327	-	6,738,375
EXPENDITURES:							
Judicial	-	-	-	-	-	-	7,899
Public safety	-	-	-	-	-	-	1,272,608
Public works	-	-	-	-	-	-	591,168
Health and welfare	10,466	365,716	15,019	798,959	6,204	-	5,715,616
Capital outlay	-	-	-	-	-	-	39,654
TOTAL EXPENDITURES	10,466	365,716	15,019	798,959	6,204	-	7,626,945
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	274	15,476	(15,019)	(786,043)	123	-	(888,570)
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	13,500	785,982	-	-	1,194,685
Transfers out	-	-	-	-	(1,140)	-	(375,625)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	274	15,476	(1,519)	(61)	(1,017)	-	(69,510)
FUND BALANCES(DEFICIT), JANUARY 1	576	(1,786)	1,519	61	1,034	3,487	2,127,497
FUND BALANCES, DECEMBER 31	\$ 850	\$ 13,690	\$ -	\$ -	\$ 17	\$ 3,487	\$ 2,057,987

DEBT SERVICE FUNDS

The debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

CHIPPewa COUNTY
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
As of December 31, 2002

	2001 City of SSM Debt Retirement	Superior Township Improvements Debt	1998 City of SSM Debt Retirement	Jail Expansion Bond Retirement	1995 City of S.S.M. Debt Retirement	Avery Square Bond Retirement	1988 Bldg. Authority Bond Retirement	Courthouse Annex Renovation	1977 Superior Twp. Debt Retirement	Hakola-Ross Drainage	Totals (Memorandum only)
ASSETS:											
Cash and equivalents	\$ - \$	- \$	- \$	- \$	492,898 \$	- \$	217,704 \$	1,661 \$	- \$	12,195 \$	724,458
Receivables:											
Taxes	-	-	-	-	434,226	-	-	-	-	-	434,226
Accrued interest on deposits	-	-	-	-	9,345	-	1,835	-	-	-	11,180
TOTAL ASSETS	\$ - \$	- \$	- \$	- \$	936,469 \$	- \$	219,539 \$	1,661 \$	- \$	12,195 \$	1,169,864
LIABILITIES:											
Deferred revenue	\$ - \$	- \$	- \$	- \$	434,226 \$	- \$	- \$	- \$	- \$	- \$	434,226
FUND EQUITY:											
Fund balance:											
Unreserved:											
Designated											
Total fund balance	-	-	-	-	502,243	-	219,539	1,661	-	12,195	735,638
TOTAL LIABILITIES AND FUND EQUITY	-	-	-	-	502,243	-	219,539	1,661	-	12,195	735,638
	\$ - \$	- \$	- \$	- \$	936,469 \$	- \$	219,539 \$	1,661 \$	- \$	12,195 \$	1,169,864

CHIPPEWA COUNTY
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2002

	2001 City of SSM Debt Retirement	Superior Township Improvements Debt	1998 City of SSM Debt Retirement	Jail Expansion Bond Retirement	1995 City of S.S.M. Debt Retirement	Avery Square Bond Retirement	1988 Bldg. Authority Bond Retirement	Courthouse Annex Renovation	1977 Superior Twp. Debt Retirement	Hakola-Ross Drainage	Totals Memorandum Only)
\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$
Taxes	-	34,186	134,513	-	270,205	134,400	-	-	9,000	-	398,111
Local sources	-	-	-	19,440	-	8,127	-	-	-	-	582,304
Interest on deposits	-	-	-	-	-	-	-	-	-	-	27,567
Other revenues	95,546	-	-	-	-	-	-	-	-	-	95,546
TOTAL REVENUES	95,546	34,186	134,513	417,341	270,205	142,527	210	-	9,000	-	1,103,528
EXPENDITURES:											
Debt service	95,546	34,186	134,513	295,640	270,205	165,418	-	202,855	9,000	-	1,207,363
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	121,701	-	(22,891)	210	(202,855)	-	-	(103,835)
OTHER FINANCING SOURCES:											
Transfers in	-	-	-	-	-	25,000	-	202,855	-	-	227,855
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-	-	-	121,701	-	2,109	210	-	-	-	124,020
FUND BALANCES, JANUARY 1	-	-	-	380,542	-	217,430	1,451	-	-	12,195	611,618
FUND BALANCES, DECEMBER 31	- \$	- \$	- \$	502,243 \$	- \$	219,539 \$	1,661 \$	- \$	- \$	12,195 \$	735,638

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

CHIPPEWA COUNTY
CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
As of December 31, 2002

	Animal Shelter Construction	2000 Superior Township Improvements	Chippewa Co. Central Dispatch Construction	Courthouse Annex Renovation	Totals (Memorandum only)
ASSETS:					
Cash and equivalents	\$ -	\$ 62	\$ -	\$ 38,989	\$ 39,051
Due from other funds	119,005	-	-	-	119,005
TOTAL ASSETS	\$ 119,005	\$ 62	\$ -	\$ 38,989	\$ 158,056
LIABILITIES:					
Accounts payable	\$ 119,005	\$ -	\$ -	\$ -	\$ 119,005
TOTAL LIABILITIES	119,005	-	-	-	119,005
FUND EQUITY:					
Fund balance:					
Unreserved:					
Designated	-	62	-	38,989	39,051
TOTAL LIABILITIES AND FUND EQUITY	\$ 119,005	\$ 62	\$ -	\$ 38,989	\$ 158,056

CHIPPEWA COUNTY
CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2002

	Animal Sheiter Construction	2000 Superior Township Improvements	Chippewa Co. Central Dispatch Construction	Courthouse Annex Renovation	Totals (Memorandum Only)
REVENUES:					
Federal sources	\$ -	\$ 94,000	\$ -	\$ -	\$ 94,000
Interest on deposits	-	-	-	2,211	2,211
TOTAL REVENUES	-	94,000	-	2,211	96,211
EXPENDITURES:					
Capital outlay	133,140	93,966	231,011	63,784	521,901
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(133,140)	34	(231,011)	(61,573)	(425,690)
OTHER FINANCING SOURCES:					
Transfers in	133,140	-	231,011	-	364,151
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-	34	-	(61,573)	(61,539)
FUND BALANCES, JANUARY 1	-	28	-	100,562	100,590
FUND BALANCES, DECEMBER 31	\$ -	\$ 62	\$ -	\$ 38,989	\$ 39,051

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

CHIPPewa COUNTY
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
December 31, 2002

	2001 Tax Revolving	Prior Years' Tax Revolving	1998 Tax Revolving	Tax Revolving Admin.	1999 Tax Revolving	2000 Tax Revolving	Homestead Tax	Central Stores	Totals (Memorandum Only)
ASSETS:									
Cash and equivalents	\$ 1,927,541	\$ 505,114	\$ 695,640	\$ 71,497	\$ 2,354,461	\$ 224,247	\$ -	\$ 1,884	\$ 5,780,384
Receivables:									
Taxes	997,360	7,076	71,568	-	70,592	275,488	-	-	1,422,084
Accrued interest on taxes	-	-	-	-	-	18,669	-	-	18,669
Accrued interest on deposits	88,983	-	11,345	-	9,575	-	-	-	109,903
Inventory	-	-	-	-	-	-	-	36,867	36,867
Due from other funds	-	-	-	26,930	-	-	-	-	26,930
Due from other governmental units	-	-	-	-	-	-	13,150	425	13,575
TOTAL ASSETS	\$ 3,013,884	\$ 512,190	\$ 778,553	\$ 98,427	\$ 2,434,628	\$ 518,404	\$ 13,150	\$ 39,176	\$ 7,408,412
LIABILITIES:									
Cash overdrafts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,032	\$ -	\$ 6,032
Due to other funds	3,175	-	6,987	-	7,113	9,656	7,110	22,510	56,551
Due to other governmental units	-	-	-	-	-	-	-	2,401	2,401
TOTAL LIABILITIES	3,175	-	6,987	-	7,113	9,656	13,142	24,911	64,984
FUND EQUITY:									
Retained earnings:									
Reserved	3,010,709	512,190	771,566	98,427	2,427,515	508,748	-	14,265	14,265
Unreserved	-	-	-	-	-	-	8	-	7,329,163
TOTAL FUND EQUITY	3,010,709	512,190	771,566	98,427	2,427,515	508,748	8	14,265	7,343,428
TOTAL LIABILITIES AND FUND EQUITY	\$ 3,013,884	\$ 512,190	\$ 778,553	\$ 98,427	\$ 2,434,628	\$ 518,404	\$ 13,150	\$ 39,176	\$ 7,408,412

CHIPPewa COUNTY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
For the Year Ended December 31, 2002

	2001 Tax Revolving	Prior Years' Tax Revolving	1998 Tax Revolving	Tax Revolving Admin.	1999 Tax Revolving	2000 Tax Revolving	Homestead Tax	Central Stores	Totals (Memorandum Only)
OPERATING REVENUES:									
Charges for services	\$ 227,064	\$ 10,319	\$ 9,809	\$ 13,440	\$ 4,854	\$ 59,174	\$ -	\$ 24,587	\$ 349,247
Interest on delinquent taxes	-	-	-	-	22,918	35,223	-	-	58,141
TOTAL OPERATING REVENUES	227,064	10,319	9,809	13,440	27,772	94,397	-	24,587	407,388
EXPENSES:									
General and administrative	3,175	6,978	3,440	529	5,841	5,827	-	-	25,790
Supplies	-	-	-	-	-	-	-	26,103	26,103
TOTAL EXPENSES	3,175	6,978	3,440	529	5,841	5,827	-	26,103	51,893
OPERATING INCOME(LOSS)	223,889	3,341	6,369	12,911	21,931	88,570	-	(1,516)	355,495
NON-OPERATING REVENUES (EXPENSES):									
Interest on deposits	-	9,571	1,590	-	10,098	10,224	-	-	31,483
Transfers in	2,786,820	-	-	-	1,000,000	900,000	-	-	4,686,820
Transfers out	-	(635,788)	(300,000)	-	-	(3,751,032)	-	-	(4,686,820)
NET INCOME(LOSS)	3,010,709	(622,876)	(292,041)	12,911	1,032,029	(2,752,238)	-	(1,516)	386,978
RETAINED EARNINGS, JANUARY 1	-	1,135,066	1,063,607	85,516	1,395,486	3,260,986	8	15,781	6,956,450
RETAINED EARNINGS, DECEMBER 31	\$ 3,010,709	\$ 512,190	\$ 771,566	\$ 98,427	\$ 2,427,515	\$ 508,748	\$ 8	\$ 14,265	\$ 7,343,428

CHIPPEWA COUNTY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2002

	2001 Tax Revolving	Prior Years' Tax Revolving	1998 Tax Revolving	Tax Revolving Admin.	1999 Tax Admin.	2000 Tax Revolving	Homestead Tax	Central Stores	Totals (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES:									
Operating income (loss)	\$ 223,889	\$ 3,341	\$ 6,369	\$ 12,911	\$ 21,931	\$ 88,570	-	\$ (1,516)	\$ 355,495
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Changes in operating assets and liabilities which provided (used) cash:									
Taxes receivable	(997,360)	56,663	190,916	-	24,364	801,996	-	-	76,579
Accrued interest receivable on taxes	(88,983)	-	89,245	-	7,705	89,079	-	-	97,046
Accrued interest receivable on deposits	-	-	-	-	(9,310)	-	-	-	(9,310)
Inventory	-	-	-	-	-	-	-	-	1,360
Due from other funds	-	-	-	(13,441)	-	-	-	1,360	(13,441)
Due to other funds	3,175	-	3,440	-	999	5,827	-	-	13,441
Due to other governmental units	-	-	-	-	-	-	(4,392)	2,040	(2,352)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(859,279)</u>	<u>60,004</u>	<u>289,970</u>	<u>(530)</u>	<u>45,689</u>	<u>985,472</u>	<u>(4,392)</u>	<u>1,884</u>	<u>518,919</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:									
Operating transfers in	2,786,820	-	-	-	1,000,000	900,000	-	-	4,686,820
Operating transfers out	-	(635,788)	(300,000)	-	-	(3,751,032)	-	-	(4,686,820)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>2,786,820</u>	<u>(635,788)</u>	<u>(300,000)</u>	<u>-</u>	<u>1,000,000</u>	<u>(2,851,032)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:									
Interest income	-	9,571	1,590	-	10,098	10,224	-	-	31,483
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>9,571</u>	<u>1,590</u>	<u>-</u>	<u>10,098</u>	<u>10,224</u>	<u>-</u>	<u>-</u>	<u>31,483</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	<u>1,927,541</u>	<u>(565,213)</u>	<u>(8,440)</u>	<u>(530)</u>	<u>1,055,787</u>	<u>(1,855,336)</u>	<u>(4,392)</u>	<u>1,884</u>	<u>550,301</u>
CASH AND EQUIVALENTS, BEGINNING OF YEAR	-	1,071,327	704,080	72,027	1,298,674	2,079,583	(1,640)	-	5,224,051
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 1,927,541</u>	<u>\$ 505,114</u>	<u>\$ 695,640</u>	<u>\$ 71,497</u>	<u>\$ 2,354,461</u>	<u>\$ 224,247</u>	<u>\$ (6,032)</u>	<u>\$ 1,884</u>	<u>\$ 5,774,352</u>
INTEREST PAID	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

CHIPPewa COUNTY
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
December 31, 2002

Agency Funds

	Payroll Revolving	Trust and Agency	State Education Tax Agency	Luce County FIA	Library Penal Fines	Mediation Trust	District Court	Cooperative Extension Trust	Imate Trust	Friend of the Court	Totals (Memorandum Only)
	\$ 144,827	\$ 1,486,971	\$ 294,888	\$ 270	\$ 101,714	\$ 182	\$ 78,665	\$ 7,093	\$ 6,648	\$ 22,186	\$ 2,143,444
ASSETS:											
Cash and equivalents	\$ 51,992	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,992
LIABILITIES:											
Cash overdrafts	-	325,048	-	270	-	-	-	-	-	-	325,318
Due to other governmental units	47,238	-	-	-	-	-	-	7,093	-	-	54,331
Other liabilities	-	1,020,498	294,888	-	-	-	-	-	-	-	1,315,386
Undistributed tax collections	45,597	141,425	-	-	101,714	182	78,665	-	6,648	22,186	396,417
Undistributed receipts											
TOTAL LIABILITIES	\$ 144,827	\$ 1,486,971	\$ 294,888	\$ 270	\$ 101,714	\$ 182	\$ 78,665	\$ 7,093	\$ 6,648	\$ 22,186	\$ 2,143,444

CHIPPEWA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS
For the Year Ended December 31, 2002

	Balance 01/01/02	Additions	Deletions	Balance 12/31/02
PAYROLL REVOLVING				
ASSETS:				
Cash and equivalents	\$ 229,614	\$ 5,138,925	\$ 5,223,712	\$ 144,827
LIABILITIES:				
Cash overdrafts	\$ 71,245	\$ -	\$ 19,253	\$ 51,992
Other liabilities	19,257	27,981	-	47,238
Undistributed receipts	139,112	5,110,944	5,204,459	45,597
TOTAL LIABILITIES	\$ 229,614	\$ 5,138,925	\$ 5,223,712	\$ 144,827

TRUST AND AGENCY				
ASSETS:				
Cash and equivalents	\$ 936,031	\$ 3,670,901	\$ 3,119,961	\$ 1,486,971
LIABILITIES:				
Due to other governmental units	\$ 73,980	\$ 1,921,729	\$ 1,670,661	\$ 325,048
Undistributed tax collections	809,186	1,542,378	1,331,066	1,020,498
Undistributed receipts	52,865	206,794	118,234	141,425
TOTAL LIABILITIES	\$ 936,031	\$ 3,670,901	\$ 3,119,961	\$ 1,486,971

STATE EDUCATION TAX TRUST AND AGENCY				
ASSETS:				
Cash and equivalents	\$ 268,641	\$ 3,907,047	\$ 3,880,800	\$ 294,888
LIABILITIES:				
Undistributed tax collections	\$ 268,641	\$ 3,907,047	\$ 3,880,800	\$ 294,888

LUCE COUNTY FIA				
ASSETS:				
Cash and equivalents	\$ 1,000	\$ 12,569	\$ 13,299	\$ 270
LIABILITIES:				
Due to other governmental units	\$ 1,000	\$ 12,569	\$ 13,299	\$ 270

CHIPPEWA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS
For the Year Ended December 31, 2002

	Balance 01/01/02	Additions	Deletions	Balance 12/31/02
LIBRARY PENAL FINES				
ASSETS:				
Cash and equivalents	\$ 100,334	\$ 201,922	\$ 200,542	\$ 101,714
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES:				
Undistributed receipts	\$ 100,334	\$ 201,922	\$ 200,542	\$ 101,714
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
MEDIATION TRUST				
ASSETS:				
Cash and equivalents	\$ 176	\$ 6	\$ -	\$ 182
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES:				
Undistributed receipts	\$ 176	\$ 6	\$ -	\$ 182
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
DISTRICT COURT				
ASSETS:				
Cash and equivalents	\$ 63,062	\$ 402,419	\$ 386,816	\$ 78,665
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES:				
Undistributed receipts	\$ 63,062	\$ 402,419	\$ 386,816	\$ 78,665
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
COOPERATIVE EXTENSION TRUST				
ASSETS:				
Cash and equivalents	\$ 5,145	\$ 23,848	\$ 21,900	\$ 7,093
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES:				
Other liabilities	\$ 5,145	\$ 23,848	\$ 21,900	\$ 7,093
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
INMATE TRUST				
ASSETS:				
Cash and equivalents	\$ 16,672	\$ 480,532	\$ 490,556	\$ 6,648
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES:				
Undistributed receipts	\$ 16,672	\$ 480,532	\$ 490,556	\$ 6,648
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

CHIPPEWA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS
For the Year Ended December 31, 2002

	Balance 01/01/02	Additions	Deletions	Balance 12/31/02
FRIEND OF THE COURT				
ASSETS:				
Cash and equivalents	\$ 15,216	\$ 4,148,556	\$ 4,141,586	\$ 22,186
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES:				
Undistributed receipts	\$ 15,216	\$ 4,148,556	\$ 4,141,586	\$ 22,186
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash and equivalents	\$ 1,635,891	\$ 17,986,725	\$ 17,479,172	\$ 2,143,444
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES:				
Cash overdrafts	\$ 71,245	\$ -	\$ 19,253	\$ 51,992
Due to other governmental units	74,980	1,934,298	1,683,960	325,318
Other liabilities	24,402	51,829	21,900	54,331
Undistributed tax collections	1,077,827	5,449,425	5,211,866	1,315,386
Undistributed receipts	387,437	10,551,173	10,542,193	396,417
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 1,635,891</u>	<u>\$ 17,986,725</u>	<u>\$ 17,479,172</u>	<u>\$ 2,143,444</u>

COMPLIANCE REPORTS



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
MARVIN H. HENDERSON, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Members of the Board
County of Chippewa, Michigan
319 Court Street
Sault Ste. Marie, MI 49783

We have audited the accompanying general purpose financial statements of the County of Chippewa, Michigan, as of and for the year ended December 31, 2002, and have issued our report thereon, dated February 14, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Schedule of Findings and Questioned Costs as item 02-1. We also noted certain immaterial instances of noncompliance, which we have reported to management of the County of Chippewa, Michigan in a separate letter dated February 14, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over the financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in design or operation of the internal control over financial reporting that in our judgment could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as 02-1 and a separate letter dated February 14, 2003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We noted one matter involving the internal control over financial reporting that we consider to be a material weakness and other immaterial matters involving the internal control over financial reporting, which we have reported to management of County of Chippewa, Michigan in a separate letter dated February 14, 2003.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

February 14, 2003



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board
County of Chippewa, Michigan
319 Court Street
Sault Ste. Marie, MI 49783

Compliance

We have audited the compliance of the County of Chippewa, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

It is required by the Michigan Department of Transportation (MDOT) that Counties report expenditures of federal awards for Highway Planning and Construction pertaining to their County. However, all expenditures of federal awards for the twelve months ended December 31, 2002 were administered by MDOT. These grant funds were expended on road projects, where work was performed by private contractors paid and monitored by MDOT (see Note "C"). We were unable to satisfy ourselves as to compliance with those requirements by other audit procedures for these programs.

In our opinion, except for the effects on compliance and on internal control over compliance due to the circumstance described in the preceding paragraph and the findings and questioned costs, if any, that might have been discovered had we been able to examine sufficient evidence pertaining to road projects and airport projects funded with federal awards and administered by MDOT, Chippewa County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the twelve months ended December 31, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Summary Schedule of Prior Audit Findings as item 01-1.

Internal Control Over Compliance

The management of Chippewa County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Summary Schedule of Prior Audit Findings as item 01-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co P.C.
Anderson, Tackman & Company, PLC
Certified Public Accountants

February 14, 2003

COUNTY OF CHIPPEWA, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2002

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Direct Awards:			
Water System Grant (Superior Township)	10.760	-	\$ 94,000
Pass-through from the Michigan Department of Community Health Women, Infant and Children	10.557	-	123,069
Total U.S. Department of Agriculture			217,069
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass-through from the Michigan State Housing Development Authority CDBG Housing Program	14.219	MSC-00-731-HOA	110,085
Total U.S. Department of Housing and Urban Development			110,085
U.S. DEPARTMENT OF JUSTICE:			
Pass-through from Dianne Peppler Resource Center: STOP Grant	16.588	-	23,000
Pass-through from Emmet County			
S.A.N.E. - 10-1-02 to 9-30-03	16.579	70868-8K03	7,985
S.A.N.E. - 10-1-01 to 9-30-02	16.579	70868-8K02	18,413
Subtotal			26,398
Pass-through from the Michigan State Police: State Domestic Preparedness Equipment Grant	16.007	011403-008	38,611
Pass-through from the Michigan Dept. of Community Health Office of Drug Control Policy: Youth Prevention & Intervention Strategies	16.592	80049-4L02	81,823
Total U.S. Department of Justice			169,832
U.S. DEPARTMENT OF TRANSPORTATION:			
Passed-through from the Michigan Department of Transportation:			
Block Grant Programs:			
Construction - terminal, apron, road & hangar	20.106	F-26-0139-0799	1,070,683
Design - terminal	20.106	C-26-0139-0698	339,632
Design - hangar	20.106	C-26-0139-0499	1,017,323
Airport Improvement Program:			
Construction - terminal, apron, road & hangar	20.106	3-26-0135-1201	4,210,273
Airport Security	20.106	3-26-0139-1302	9,315
Wildlife study, fencing, T-hangars, boarding bridge	20.106	3-26-0139-1402	1,263,263
Subtotal			7,910,489

The accompanying notes are an integral part of this schedule.

COUNTY OF CHIPPEWA, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2002

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Highway Planning & Construction:			
Highway H-40	20.205	46288	167,484
Homestead Road	20.205	53191	88,097
Whitefish Point Enhancement Grant	20.205	50924	113,037
Subtotal			368,618
Total U.S. Department of Transportation			8,279,107
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
Pass Through from State of Michigan Department of Environmental Quality:			
Radon	66.032	-	1,700
Beaches/Surface Water	66.458	-	5,774
Water Assessments	66.468	-	1,875
Subtotal			9,349
Total U.S. Environmental Protection Agency			9,349
FEDERAL EMERGENCY MANAGEMENT AGENCY:			
Pass-through from the State of Michigan Department of State Policy, Emergency Management Division:			
Emergency Management - 10-1-00 to 9-30-02	83.552	-	9,485
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES:			
Pass-through from the Upper Peninsula Community Action Program (UPCAP):			
Senior Screening - Title EEE	93.043	-	98,229
Pass-through from the State of Michigan Family Independence Agency (FIA):			
Friend of the Court - Incentive	93.560		18,991
Friend of the Court - Cooperative Reimbursement	93.563	CS/FOC-01-17001	139,231
Prosecuting Attorney - Cooperative Reimbursement	93.563	CS/PA-03-17002	40,015
Subtotal			198,237

The accompanying notes are an integral part of this schedule.

COUNTY OF CHIPPEWA, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2002

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
Pass-through from the Department of Community Health:			
Family Planning	93.217	-	32,606
Immunizations	93.268	H23 CCH504477	12,865
EPSDT Outreach	93.778	-	10,156
Bioterrorism	93.283	B1MIMCHS	27,139
Breast and Cervical Cancer - Direct	93.919	U57 CCU506738	96,995
Maternal and Child Health Block Grant	93.994	B1MIMCHS	6,138
Maternal and Child Health	93.994	B1MIMCHS	25,920
Family Planning Services	93.994	B1MIMCHS	5,374
Subtotal			<u>217,193</u>
Total U.S. Department of Health & Human Services			<u>513,659</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 9,308,586</u></u>

The accompanying notes are an integral part of this schedule.

COUNTY OF CHIPPEWA, MICHIGAN
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2002

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Chippewa, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

NOTE B - SUBRECIPIENT GRANTEE:

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Sub Recipient</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Sub Recipients</u>
CDBG-Housing Grant	Community Action Human Resource Authority	14.219	\$ 110,085
Highway Planning & Construction	Great Lakes Shipwreck Historical Society	20.205	113,037
Water System Grant	Superior Township	10.760	<u>94,000</u>
Total federal awards provided to subrecipients			<u>\$ 317,122</u>

NOTE C - MDOT ADMINISTRATION:

The Highway Planning and Construction Grants (Chippewa County Road Commission) and Airport Improvement Grants (Chippewa County Economic Development Corporation) include various projects. Accordingly, the federal expenditures recognized on each negotiated project do not necessarily relate to the County's actual costs for that project. Contracted projects are administered by MDOT which monitors the applicable compliance requirements of those projects.

COUNTY OF CHIPPEWA, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2002

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? No
- Reportable conditions identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Reportable conditions identified that are not considered to be material weaknesses? Yes

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Programs
10.760	Water System Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? No

COUNTY OF CHIPPEWA, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2002

Section II - Financial Statement Findings

See "Report to Management" dated February 14, 2003.

02-1. - Excess Expenditures Over Appropriations:

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The General Fund budget is adopted at the functional level and the Special Revenue funds are adopted in total. during the year ended December 31, 2002 the County incurred expenditures in certain budgetary funds which were in excess of the amount appropriated as follows.

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund:			
Capital Outlay	\$ 180,423	\$ 222,492	\$ (42,069)
General Government	2,463,408	2,471,272	(7,864)
Judicial	2,183,850	2,197,458	(13,608)
Other Expenditures	600,345	601,638	(1,293)
Transfers Out	1,609,943	1,622,106	(12,163)
Health and Welfare	250,574	254,031	(3,457)
Special Revenue:			
Veteran's Trust	6,000	6,204	(204)
50th Circuit Court	2,000	5,097	(3,097)
E911	544,722	546,624	(1,902)
Law Enforcement Training	3,000	3,347	(347)
Sheriff Special Projects	-	1,352	(1,352)
Youth Substance Abuse	68,609	69,173	(564)
FIA Appropriation	20,150	26,785	(6,635)
FIA	350,000	365,716	(15,716)
FIA Child Care	13,500	15,019	(1,519)

COUNTY OF CHIPPEWA, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2002

Section III - Federal Award Findings and Questioned Costs

NONE.

COUNTY OF CHIPPEWA, MICHIGAN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2002

01-1. - Subrecipients:

U.S. Department of Transportation:

Transportation Enhancement Grant - CFDA No. 20.205.

Statement of Condition: Subrecipient monitoring policies have not been implemented for the federal program.

Criteria: OMB Circular A-133 requires that a governmental unit that passes federal funds to another governmental unit must implement and monitor compliance of that organization with the provisions of the OMB circulars and other federal regulations.

Effect of the Condition: Without adequate review of subrecipient audit reports, single audit compliance reports and other monitoring procedures, the requirements of OMB Circular A-133 cannot be documented.

Cause of Condition: Audit reports of the subrecipient were not requested by the organization

Recommendation: The County should adopt a subrecipient monitoring policy and implement the appropriate review procedures to assure compliance with federal regulations.

Response: The County has reviewed the appropriate compliance reports or has requested recent audit reports of subrecipients. Additionally, management is developing a comprehensive monitoring policy.

Status: The Michigan Department of Transportation monitors this program, however the Road Commission has not documented its monitoring procedures.

CHIPPEWA COUNTY, MICHIGAN

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Honorable Chairman and
Members of the Board of Directors
Chippewa County
Sault Ste. Marie, Michigan

Our report on our audit of the general purpose financial statements of County of Chippewa, Michigan, as of and for the year ended December 31, 2002, appears on page 1. That audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed on the following pages regarding the municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements, and accordingly, we express no opinion on it.

Anderson Tackman & Co PLLC

Anderson, Tackman & Company, PLC
Certified Public Accountants

February 14, 2003

**UNAUDITED
CHIPPEWA COUNTY**

ADDITIONAL INFORMATION

December 31, 2002

NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURES REQUIREMENTS:

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of December 31, 2002, the County has the following debt issues which apply to SEC Rule 15c2-12.

1. \$3,040,000 County of Chippewa Water Supply and Sewage Disposal System Limited Tax General Obligation Bonds (City of Sault Ste. Marie), Series 1995.
2. \$2,715,000 County of Chippewa Water Supply and Sewage Disposal System Limited Tax General Obligation Bonds (City of Sault Ste. Marie), Series 1998.
3. \$4,500,000 County of Chippewa Building Authority Bonds, Series 2000.
4. \$1,575,000 Chippewa County Building Authority Bonds, Series 2001.

NOTE 2 - TABLES:

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12.

A. Population:

1960 U.S. Census	32,655	1980 U.S. Census	29,029
1970 U.S. Census	32,412	1990 U.S. Census	34,604
		2000 U.S. Census	38,543
2002 estimate		39,000	

Source: U.S. Department of Commerce - Bureau of Census and County of Chippewa

B. Taxable Value (Ad Valorem) by Use and Class:

Use	2003		2002	
	Amount	Percent of Total	Amount	Percent of Total
Agricultural	\$ 26,856,166	3.72%	\$ 25,623,777	3.69%
Commercial	139,448,648	19.26	138,594,008	19.98
Industrial	21,460,681	2.96	25,470,326	3.67
Residential	518,667,582	71.67	485,416,854	69.97
Utility	17,277,200	2.39	18,473,495	2.66
Timber & Developmental	-	0.00	79,869	.03
Total	<u>\$723,710,277</u>	<u>100.00%</u>	<u>\$693,658,329</u>	<u>100.00%</u>

**UNAUDITED
CHIPPEWA COUNTY**

ADDITIONAL INFORMATION

December 31, 2002

NOTE 2 - TABLES: (Continued)

B. Taxable Value (Ad Valorem) by Use and Class: (Continued)

Class	2003		2002	
	Amount	Percent of Total	Amount	Percent of Total
Real Property	\$679,220,118	94%	\$643,147,117	92%
Personal Property	44,490,159	6	50,511,212	8
Total	<u>\$723,710,277</u>	<u>100%</u>	<u>\$693,658,329</u>	<u>100%</u>

Source: County of Chippewa

C. Taxable Value:

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended or Ending December 31	Ad Valorem Taxable Value	Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255	Total Taxable Value	Percent Increase Over Prior Year
1997	1998	2000	599,717,580	1,672,175	601,389,755	5.57%
1998	1999	2000	624,928,364	2,080,350	627,008,714	4.26
1999	2000	2001	653,632,320	1,470,025	655,102,345	4.48
2000	2001	2002	690,011,404	3,646,925	693,658,329	5.89
2001	2002	2003	Unavailable	Unavailable	723,710,277	4.33

Per Capita Total taxable value for the Fiscal Year Ending December 31, 2002 \$18,557.

(1) Based on the County's 2002 population estimate of 39,000.

Source: County of Chippewa

D. SEV by Use and Class:

Use	Fiscal Year Ended or Ending December 31				
	1999	2000	2001	2002	2003
Agriculture	\$ 26,495,399	\$ 28,761,838	\$ 33,283,471	\$ 35,220,397	\$ 39,375,800
Commercial	147,213,357	150,892,661	150,276,041	153,927,443	154,494,483
Industrial	24,816,015	24,626,465	22,984,270	29,714,720	22,121,370
Residential	499,620,003	536,970,648	591,024,459	649,055,340	708,746,894
Timber Cutover and Developmental	859,949	107,253	219,400	185,300	-
Utility	17,953,745	18,420,350	18,357,300	18,473,495	17,277,200
	<u>\$716,958,468</u>	<u>\$759,779,215</u>	<u>\$816,144,941</u>	<u>\$886,576,695</u>	<u>\$942,015,747</u>

**UNAUDITED
CHIPPEWA COUNTY**

ADDITIONAL INFORMATION

December 31, 2002

NOTE 2 - TABLES: (Continued)

D. SEV by Use and Class: (Continued)

Class	Fiscal Year Ended or Ending December 31				
	1999	2000	2001	2002	2003
Real Property	\$664,969,837	\$709,402,786	\$766,921,831	\$829,747,326	\$897,498,756
Personal Property	51,988,631	50,376,429	46,283,060	49,535,519	44,516,991
	<u>\$716,958,468</u>	<u>\$759,779,215</u>	<u>\$813,204,891</u>	<u>\$879,282,845</u>	<u>\$942,015,747</u>

Source: County of Chippewa

E. Maximum Tax Rates:

Millage Classification	Millage Authorized	Millage Reduction Fraction (1)	Maximum Allowable Millage
Allocated	6.1500	.9962	6.0453
Fire/Ambulance (2)	.4293	1.0000	.4236
Roads (2)	1.0000	.9962	.9962
Recycling (2)	.5000	1.0000	.5000
Jail Renovation (3)	.7500	.9962	.7371

(1) Cumulative.

(2) Voted. Final levy will be December 1, 2002

(3) Voted. Intended source of payment for the Bonds. Final levy will be December 31, 2018.

Source: County of Chippewa

F. Property Tax Rates:

Levy December 1	Fiscal Years Ended or Ending		Fire/ Ambulance (1)	Road Improvements (1)	Recycling (1)	Jail(1)	Total
	December 1	December 31					
1998	1999	6.1488	0.4293	0.9998	0.5000	0.7500	8.8279
1999	2000	6.1248	0.4276	0.9959	0.4980	0.6000	8.6463
2000	2001	6.1082	0.4264	0.9932	0.4966	0.6000	8.6244
2001	2002	6.0684	0.4236	0.9867	0.4933	0.6000	8.5720
2002	2003	6.0453	0.4293	0.9962	0.5000	0.6000	8.5708

(1) Voted.

Source: County of Chippewa

**UNAUDITED
CHIPPEWA COUNTY**

ADDITIONAL INFORMATION

December 31, 2002

NOTE 2 - TABLES: (Continued)

G. Highest and Lowest Tax Rates:

The highest and lowest tax rates for homestead and non-homestead properties within the County for its fiscal year ending December 31, 2002:

Property Classification	Highest Tax Rate		Lowest Tax Rate	
	Municipality	Tax Rate	Municipality	Tax Rate
Homestead*	Sault Ste. Marie	\$38.9199 mils	Dafter Township	\$ 19.8868
Non-Homestead*	Sault Ste. Marie	56.9199 mils	Dafter Township	37.8868

(*) Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 to the Michigan Compiled Laws. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non-Homestead is property not included in the above definition.

Source: County of Chippewa

H. Property Tax Collections:

December 1 Levy	Fiscal Years Ended or Ending December 31	County Tax Levy (1)	Collections to March 1 Following Levy	Percent Collected to March 1 Following Levy
1998	1999	5,168,009	4,262,916	82.49%
1999	2000	5,327,356	5,237,324	98.31
2000	2001	5,550,253	4,887,578	88.06
2001	2002	5,817,290	5,184,126	89.12
2002	2003	5,827,115	5,137,251	88.16

(1) Reflects County levy only. All tax levies reflect adjustments for State Tax Tribunal consent judgements, Board of Review decisions, real estate taxes canceled through foreclosure and State scavenger sales and personal property taxes canceled by circuit court.

Source: County of Chippewa

**UNAUDITED
CHIPPewa COUNTY**

ADDITIONAL INFORMATION

December 31, 2002

NOTE 2 - TABLES: (Continued)

I. Ten Largest Taxpayers:

		<u>December 31, 2002</u>	
<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value(1)</u>	<u>Percent of Total (2)</u>
Edison Sault Electric	Utility	\$ 14,572,319	28.35%
Cloverland Electric	Utility	5,299,555	10.30
State of Michigan	Government	6,720,805	13.07
Sault Ste. Marie Tribe of Chippewa Indians	Various Tribal Enterprises/Casino	4,383,369	8.53
Michigan Consolidated Gas Co.	Utility	4,328,500	8.42
Developers Diversified	Shopping Mall	4,633,755	9.02
Continental Teves	Testing Facilities	3,496,795	6.81
Wal-Mart Stores, Inc.	Department Store	3,625,600	7.05
Drummond Dolomite	Quarry	2,155,200	4.19
Ramada Inn	Hotel	2,193,400	4.26
		<u>\$ 51,409,298</u>	<u>100.00%</u>

(1) Includes Equivalent Taxable Value of properties granted tax abatement under Act 198.

(2) Based on \$693,658,329 which is the County's Total Taxable Value for the fiscal year ending December 31, 2002. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: County of Chippewa

J. Legal Debt Margin:

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the County may legally incur as of December 31, 2002.

Debt Limit (1)	\$ 87,928,285
Debt Outstanding (2)	<u>15,312,000</u>
Legal Debt Margin	<u>\$ 72,616,285</u>

(1) 10% of \$879,282,845 which is the County's Total SEV for its fiscal year ending December 31, 2002. Includes the SEV of property granted tax abatement under Act 198.

(2) Includes the Bonds described herein.

Source: County of Chippewa and Municipal Advisory Council of Michigan

**UNAUDITED
CHIPPEWA COUNTY**

ADDITIONAL INFORMATION

December 31, 2002

NOTE 2 - TABLES: (Continued)

K. Debt Schedule:

The following table reflects a summary of the County's direct and underlying debt as of December 31, 2002:

<u>County Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Building Authority Bonds:			
Dated March 1, 2000 (LT) (1)	\$ 1,170,000	\$ -	\$ 1,170,000
Dated February 1, 1999 (LT)	4,060,000	-	4,060,000
Dated June 1, 1995 (LT)	1,515,000	-	1,515,000
Subtotal	<u>\$ 6,745,000</u>	<u>\$ -</u>	<u>\$ 6,745,000</u>
Water and Sewer Bonds:			
Dated December 11, 2001	\$ 2,600,000	\$ 2,600,000	\$ -
Dated November 4, 1998 (2)	2,630,000	2,630,000	-
Dated November 30, 1995 (2)	2,650,000	2,650,000	-
Dated 1977	75,000	75,000	-
Dated June 1, 2000	585,000	585,000	-
Dated June 1, 2000	27,000	27,000	-
Subtotal	<u>\$ 8,567,000</u>	<u>\$ 8,567,000</u>	<u>\$ -</u>
Installment Obligations	<u>\$ 2,040,335</u>	<u>\$ -</u>	<u>\$ 2,040,335</u>
Total	<u>\$ 17,352,335</u>	<u>\$ 8,567,000</u>	<u>\$ 8,785,335</u>
Per Capita Net County Direct Debt (3)			\$ 225.27
Percent of Net Direct Debt to Total SEV (4)			1.00%
<u>Underlying Debt of County (5)</u>			<u>Total</u>
Cities			\$ 7,180,000
Township			1,017,250
Village			305,000
School Districts			33,565,926
Total Underlying Debt			<u>\$ 42,068,176</u>
Per Capita Underlying Debt (3)			\$ 1,078.00
Percent of Underlying Debt to Total SEV (4)			4.78%
Total Direct and Underlying Debt			<u>\$ 50,853,511</u>
Per Capita Net Direct and Underlying Debt (3)			\$ 1,303.94
Percent of Net Direct and Underlying Debt to Total SEV (4)			5.78%

(1) The Bonds described herein.

(2) Secured by the City of Sault Ste. Marie's full faith and credit and limited taxing power.

(3) Based on the County's 2002 population estimate of 39,000.

(4) Based on \$879,282,845 which is the County's Total SEV for its fiscal year ending December 31, 2002. Includes the SEV of property granted tax abatement under Act 198.

(5) Underlying Debt is the debt of the municipal entities located in the County.

Source: County of Chippewa and the Municipal Advisory Council of Michigan

**UNAUDITED
CHIPPEWA COUNTY**

ADDITIONAL INFORMATION

December 31, 2002

NOTE 2 - TABLES: (Continued)

L. Debt History:

There is no record of default on obligations of the County.

M. Installment Purchase and Lease Obligations:

See Notes to Financial Statements.

N. Short Term Borrowings:

The County in the years 1983 through 2000, inclusive, issued Delinquent Tax Notes to fund, in part, its Delinquent Tax Payment Fund. The primary security for the Delinquent Tax Notes was the payment of the Delinquent Real Property Taxes. In addition, the County pledged its full faith and credit and limited taxing power to the payment of principal of and interest on the Delinquent Tax Notes. The County may or may not issue notes to fund the Delinquent Tax Payment Fund in future years. The amounts issued in 1994 through 2000, inclusive, are as follows:

<u>Year Issued</u>	<u>Notes Issued</u>	<u>Amount Outstanding</u>
1995	\$ 500.000	\$ -
1996	500.000	-
1997	500.000	-
1998	700.000	-
1999	1,250.000	-
2000	800.000	-

The County does not issue short-term obligations for cash flow purposes.

Source: County of Chippewa

O. Future Financing:

Not Anticipated.

P. Vacation and Sick Leave:

Employees earn varying amounts of annual vacation and sick leave based on number of years of service up to a maximum and on the various labor union contract terms and administration policies of the different County operating units. Vacation is accumulated and taken annually. Sick leave can accumulate up to 120 days with 100 percent vesting after three years of service for the Sheriff's department only. At December 31, 2002, the accumulated unpaid compensated absences amount to \$238,562.

**UNAUDITED
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ADDITIONAL INFORMATION

December 31, 2002

NOTE 2 - TABLES: (Continued)

Q. Pension Plan:

All full-time employees of the County are participants in a defined benefit plan administered by the Michigan Municipal Employees Retirement System. The County's contribution to the plan, expressed as a percentage of active member payroll, covers current service costs, unrealized investment income on unfunded accrued liabilities (prior service costs) and the amortization of unfunded accrued liabilities over a 30 year period. Employees of the County contribute 2% of their gross wages. Actuarial assumption are subject to periodic change. The Segal Company, New York, New York is the actuary for the plan.

<u>December 31 Valuation Date</u>	<u>Net Assets Available for Benefits</u>	<u>Actuarial Accrued Liability</u>	<u>Assets as a Percent of Actuarial Accrued Liability</u>
1991	\$ 4,505,992	\$ 5,668,340	79%
1992	5,077,779	6,551,744	78
1993	5,942,653	7,801,393	76
1994	6,825,961	8,625,408	79
1995	8,070,864	9,985,628	81
1996	9,648,031	11,191,688	86
1997	10,177,361	12,187,923	84
1998	11,739,213	12,245,489	96
1999	13,685,739	13,633,684	100
2000	15,206,302	16,022,011	95
2001	16,467,208	18,117,222	91

Source: County of Chippewa

R. Labor Contracts:

The County has 150 full and part-time employees. Approximately 58.8% of the County's permanent employees are represented by labor organizations. The following table illustrates the various labor organizations which represent County employees, the number of members and the expiration date of the present contracts.

<u>Employee Group</u>	<u>Membership</u>	<u>Current Expiration Date</u>
American Federation of State, County and Municipal Employees	36	Unknown
Police Officers Labor Council	25	December 31, 2002
Non-Union Employees	<u>56</u>	Not applicable
Total Permanent County Employees	<u>117</u>	

Source: County of Chippewa

**UNAUDITED
CHIPPEWA COUNTY**

ADDITIONAL INFORMATION

December 31, 2002

NOTE 2 - TABLES: (Continued)

S. Profile of Major Employers:

The following table reflects the diversity of the major employers in the County by the products manufactured or services performed and the approximate number of employees.

<u>Company</u>	<u>Principal Product or Service</u>	<u>Approximate Number of Employees</u>
SSM Tribe of Chippewa Indians	Various Tribal Enterprises/Casino	2,567
Kinross Area Prisons	State Prisons	1,031
War Memorial Hospital	Hospital	554
Sault Area Public Schools	Education	400
Lake Superior State University	Education	345
Wal-Mart	Department Store	270
Soo Plastics	Rubber Products	224
Chippewa County	Local Government	165
City of Sault Ste. Marie	City Government	146
U.S. Army Corps	Federal Government	134

Source: County of Chippewa

T. Employment:

Reflected below are the unemployment statistics for the County for the calendar years 1997 through 2002:

<u>County of Chippewa</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Employed	16,568	16,344	16,760	16,825	16,675	16,175
Unemployed	<u>1,482</u>	<u>1,436</u>	<u>1,276</u>	<u>1,375</u>	<u>1,425</u>	<u>1,325</u>
Labor Force	<u>18,050</u>	<u>17,780</u>	<u>18,036</u>	<u>18,200</u>	<u>18,100</u>	<u>17,500</u>
Unemployed as % of Labor Force (1)	8.2%	8.1%	7.1%	7.6%	7.9%	7.6%

(1) Totals and percentages may differ due to rounding by the Michigan Employment Security Agency.

Source: Michigan Unemployment Agency